

# EASTPACK ANNUAL REPORT 2009



For the year ended 31 December 2009

## EASTPACK LIMITED DIRECTORY

|                          |   |                       |
|--------------------------|---|-----------------------|
| Date of Incorporation:   | 30 October, 1980                                    |                       |
| Status:                  | Co-operative under Co-operatives Companies Act 1996 |                       |
| Registered Office:       | Eastbank Road, Edgecumbe                            |                       |
| Directors:               | GW Sommerville                                      | Retired 27 April 2009 |
|                          | GS Eynon  |                       |
|                          | RM Hudson   |                       |
|                          | MJ Montgomery                                       |                       |
|                          | AK Woolsey  | Retired 27 April 2009 |
|                          | RB Sharp  | (Chairman)            |
|                          | MS Ashby  |                       |
|                          | MG Kidd   |                       |
|                          | M McBride   | Elected 27 April 2009 |
|                          | A Gault   | Elected 27 April 2009 |
| Chief Executive Officer: | AJ Hawken   |                       |
| Company Administrator:   | DM Smit   |                       |
| Bankers:                 | National Bank of N.Z. Limited                       |                       |
| Auditors:                | Staples Rodway<br>Hamilton                          |                       |
| Solicitors:              | Sharp Tudhope<br>Tauranga                           |                       |



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## Financial Report

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The Annual General Meeting of EastPack Ltd will be held at 7:30pm on Monday 26 April 2010 at the Edgumbe Memorial Hall.

All shareholders are welcome to attend.



## Chairman and Chief Executive's 2009 Performance Review

In the past year, EastPack has continued to get its house in order to build a sustainable future and position the business for ongoing growth, sector leadership and industry influence to achieve its vision of being a world class postharvest operator from orchard through to market.

We are pleased to report a solid financial result for the year ended 31 December 2009 with significant growth in revenue, earnings and profitability for our grower shareholders and gains in operational efficiencies from upgrading infrastructure, processes and capabilities to see EastPack deliver higher than average industry orchard gate returns to our grower suppliers.

Given the sound financial result, Directors have increased the rebate paid to Transactor Shareholders from 20 cents to 25 cents per Class I tray of kiwifruit supplied and lifted the dividend declared on Investor shares from 13 cents to 14 cents per share gross. The company's retained current 2009 earnings was \$1.6 million after provision for dividends.

EastPack ended the year with a healthy balance sheet, assisted also by lower interest rates than those prevailing in 2008, and very strong cash flows. This will enable planned capital improvements to be funded through retained earnings, depreciation, transactor shares issued, and a small amount of bank debt.

| Key Financial Statistics                                   | 2009          | 2008          | % Change |
|--|---------------|---------------|----------|
| Company Revenue  | \$61,249,000  | \$56,244,000  | +9%      |
| Operating Surplus Before Rebates                           | \$8,830,000   | \$6,651,000   | +32%     |
| Rebates Paid   | \$3,878,000   | \$3,016,000   | +29%     |
| Operating Profit Before Tax                                | \$5,329,000   | \$4,320,000   | +23%     |
| After Tax Profit   | \$3,980,000   | \$3,190,000   | +25%     |
| Earnings per Investor Share                                | 16¢ after tax | 13¢ after tax | +23%     |
| Company Liabilities<br>(excludes Transactor Share Capital) | \$34,335,000  | \$34,643,000  | -1%      |
| Number of Transactor Shares Issued                         | 11,114,040    | 9,828,800     | +13%     |
| Number of Investor Shares                                  | 24,503,122    | 24,503,122    | -        |
| Equity Ratio (includes Transactor Share Capital)           | 55%           | 51%           | +7%      |

## Point of Difference

We are a grower owned co-operative, dedicated to working in the best interest of our growers at all times. As such, we are an attractive proposition to our suppliers who resoundingly support the premise of grower ownership and control, not just of their postharvest service provider but of our industry.

We are continually refining the services we provide to our grower shareholders and suppliers by adding value and lifting our investment appeal. Our charges for services are in line with industry competitors, lower in some instances, while our profitability and returns to shareholders are credible and Orchard Gate Returns to our growers are among the best in the industry.

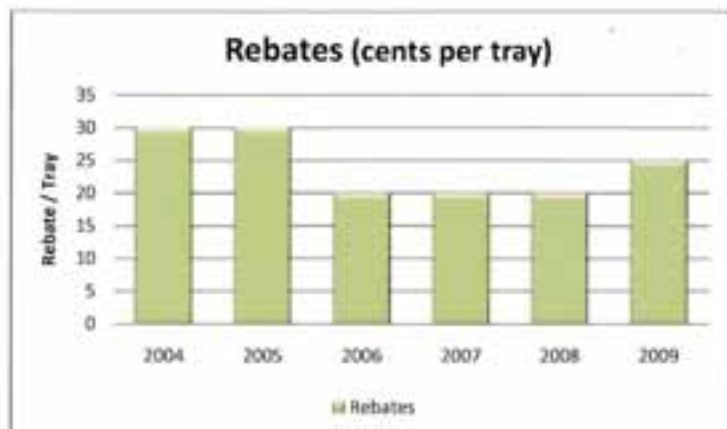
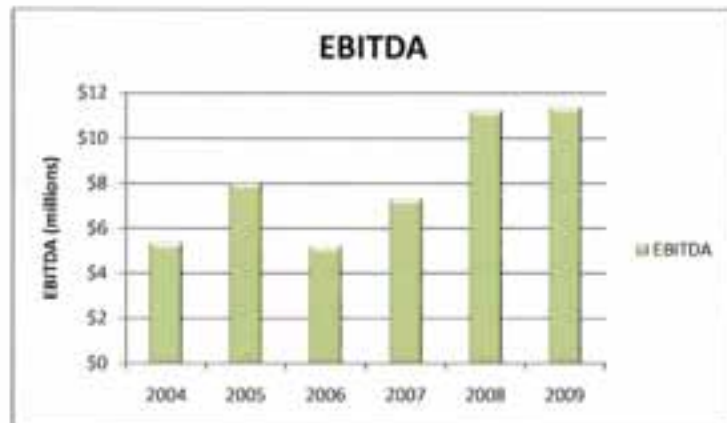
The backbone of the business is our vision of having a world class orchard to market supply chain based on manufacturing excellence and LEAN manufacturing principles. Our business strategy to achieve that ambition is based on four key planks to provide growers with:

1. Operational excellence
2. Sustainable future
3. Outstanding customer Services
4. Leading financial performance

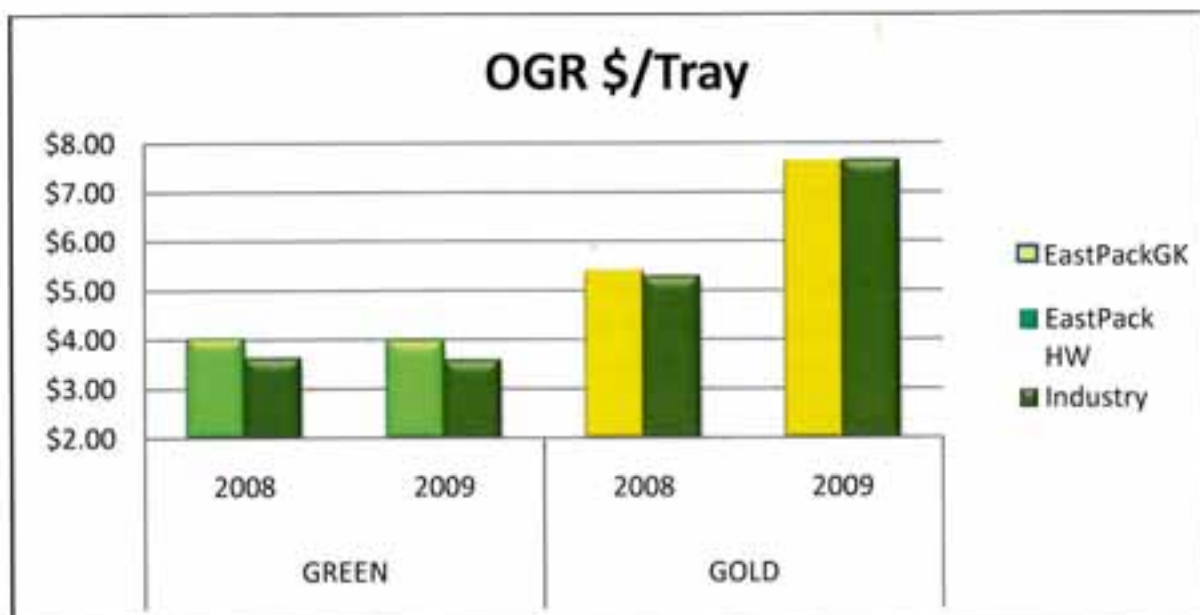
## Operational Performance

A point of difference is our understanding that we must continually earn a reputation as a leader in innovation and quality. This is demonstrated with improved out-turns, reduced fruit loss, consistently improving delivery efficiencies, alignment to our marketer's specifications and providing expert support to suppliers in optimising their crop value.

EastPack continues to be a top OGR performer and we aim to grow that record. We are therefore very focussed on continually lifting quality and efficiencies to improve grower OGR and shareholder profitability.







We are continuing to invest in infrastructure, people and processes. We're working with external expertise to drive the continuous development of quality systems and processes using LEAN production and manufacturing principles. The results have been excellent with improved production, better quality outcomes, elimination of waste and reduced costs, highlighted by a 9.0% reduction in total labour costs in 2009.

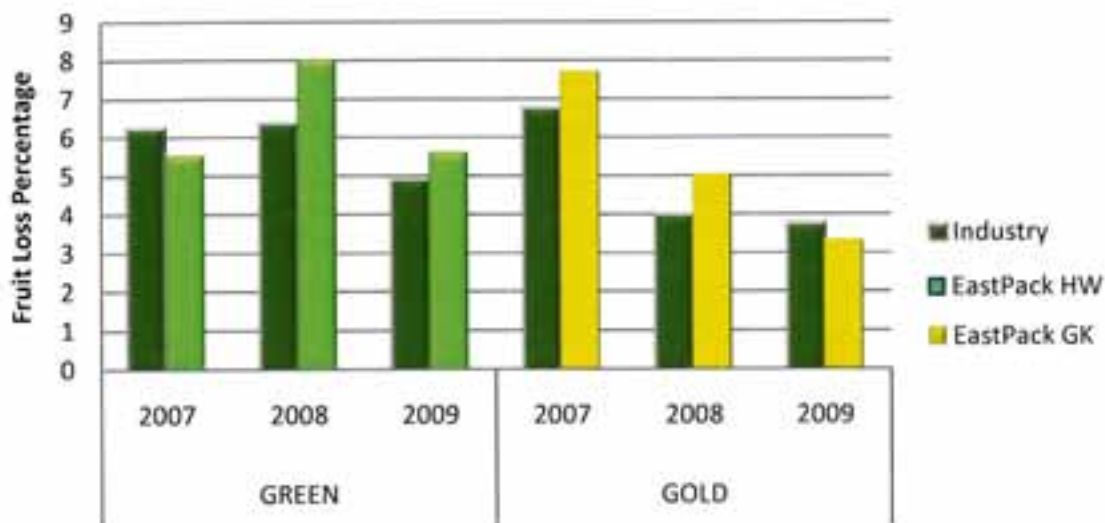
A key to our success has been staff buy-in to the LEAN way of operating. Our people are highly motivated. Team members are proactively identifying problems and implementing improvements, analysing operating systems to enable standard work practices to be mapped, information is being shared, performance standards agreed and results are being reported in a timely manner to achieve planned outcomes.

We are also investing more in training and adding technical and field resources to work with growers on their orchards to help optimise their crop value and orchard profitability.

This disciplined approach has seen us achieve the operational goals and objectives set at the beginning of 2009 as part of our four-year plan to position EastPack as one of the most efficient postharvest operators in the New Zealand industry and the growers' choice.

We were disappointed with GREEN fruit loss in 2009 and have set targets for reducing the percentage in the new season. A sub-committee of directors and senior executives has been formed to investigate the causes for the 2009 result and implement systems and processes to correct the situation.

## Fruit Loss EastPack & Industry



### Attracting Critical Mass

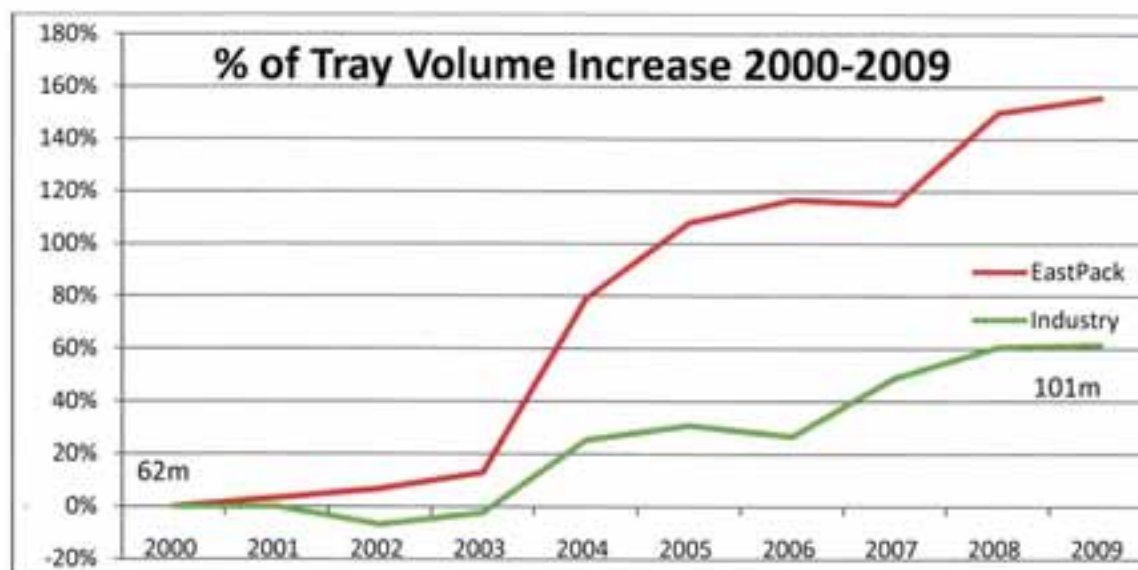
We packed 16 million export tray equivalents of kiwifruit in 2009, made up of 10 million trays of Hayward GREEN Kiwifruit (including ORGANIC) and 6 million trays of Hort16A GOLD Kiwifruit. This volume fell short of our target due to crop loss from hail damage and actual production proving to be lower than our grower estimates. This meant our facilities were under-utilised in 2009.

For 2010 we are aiming to handle 18.25 million tray equivalents of Class I kiwifruit, up 14.0% over the previous year, and an ambitious target given that industry production is expected to be little more in 2010 than in 2009.

EastPack's growth has been impressive over the past decade thanks to the ongoing support

of some of New Zealand's best and most entrepreneurial kiwifruit growers. While total New Zealand crop volumes have increased by 61.0% from 62 million trays to 101 million trays since 2000, EastPack's rate of growth has been 160.0% - and that is organic growth without any volume contribution from mergers or acquisitions.

EastPack today is the second largest kiwifruit entity in New Zealand after Seeka and the biggest GOLD kiwifruit post harvest service provider with our growers' production representing 27.0% of ZESPRI's total Hort16 A exports in 2009.



In 2011 the company expects to grow overall volumes by another 10.0%, and as a strong supporter of ZESPRI's new varieties programme we aim to be number one in the New Zealand industry in handling new varieties as they are released commercially.

#### Quality Investments

The high rate of capital spend will therefore continue to ensure that the company has modern facilities that support efficient delivery of quality across all key processes and are adequate to meet the increased volumes we are targeting.

EastPack arguably has the most modern and sophisticated fruit processing plant and technology available in New Zealand, particularly for GOLD Kiwifruit, and we believe this gives us a competitive advantage over other kiwifruit post harvest operators. We are strongly positioned to continue to grow to support the ambitions and emerging opportunities for our grower shareholders and suppliers.

EastPack spent \$7.3 million on capital upgrades in the 2009 season building new coolstores in both Te Puke and Opotiki, adding further improvements in automation in Te Puke

and installing a new bin tip and in-feed at Edgecumbe.

In 2010 we are budgeting \$9.0 million for capital improvements including commissioning a six-lane sizer with soft bin tipping and automated packing capabilities and six new coolstores providing 900,000 static tray capacity for Te Puke. This will be funded through retained earnings, depreciation and a small amount of bank debt.

#### Diversified Kiwifruit Investments

EastPack has remained focussed on its core activities of processing kiwifruit in 2009. During the year Directors decided to exit our investment in Jet Stick – a labeller system supplier. This has been a loss maker and a suitable exit strategy was implemented.

We retained our 50.0% ownership of Southern Produce, a fruit marketing company whose main focus is marketing Class II kiwifruit to Australia and the New Zealand domestic market. It also participates in a collaborative Class I export programme to North America. This is a successful company and EastPack's return from it is excellent.



## Integration Supports Value Added Growth

We see our current industry structure with its integrated marketing and world leading research and development as being good not just for growers and the wider kiwifruit industry but also for New Zealand.

Our industry's collaborative and co-operative way of working together means New Zealand will continue to lead the category worldwide and our country will earn more from exporting a unique portfolio of quality kiwifruit.

The New Zealand kiwifruit industry is in growth mode. Our single point of entry (SPE) structure provides an essential stable environment to support investment and innovation. ZESPRI expects that with the continuation of the grower-endorsed regulatory structure exports will continue to grow strongly and accelerate with the introduction of appealing, commercially viable and protected new varieties. The forecast indicates that over the next 15 years New Zealand production will double while the value in export returns will treble. This volume growth will come from increased yields of new varieties from both current production areas and new developments. The lift in returns will be realised from ZESPRI supplying premium choices of kiwifruit to world markets under the now firmly established ZESPRI® brand, which incorporates high quality, good taste, effective promotions and packaging, and the well organised and transparent ZESPRI® system. The result is delivery of a consistent quality product and a genuine value proposition that is credible and appealing to distributors, retailers and consumers. This enables us to uphold our

premium positioning and pricing which simply does not happen in other fruit sales systems.

2009 has again proved that the system works. Despite an extremely depressed world market with other fruit suppliers witnessing a collapse in returns, ZESPRI achieved excellent results for New Zealand GOLD kiwifruit growers and almost held the line on GREEN kiwifruit against Chilean competitors who received very low wholesale returns. New Zealand, with ZESPRI as our marketer, was able to increase promotional spend to prompt sales of healthy volumes at good prices even in markets where consumer spending was down. This would be impossible to achieve if New Zealand had multi exporters competing in those markets outside of New Zealand and Australia.

ZESPRI is putting significantly more resources into marketing the GREEN kiwifruit crop in 2010. There is urgency in this effort and a clear understanding that returns to GREEN kiwifruit growers need to increase. Part of this additional marketing activity is in new or developing markets including France, Italy, Malaysia, Indonesia, Thailand, Vietnam and India. Further growth in these markets and continued expansion in China and Japan should mean that this year's GREEN crop is well sold and in good time with better returns to growers. Prospects should also be helped by relatively favourable forward exchange cover taken by ZESPRI for 2010 and 2011.

## Influencing the Future

EastPack needs to continue to grow the business to grow with the industry. However, we need to do more than that. As one of the country's leading postharvest operator and the biggest grower owned co-operative we also have an important role in influencing the future direction of the industry and supporting the planned growth so that the end results benefit EastPack's growers and indeed all kiwifruit growers.

We signal that while much of EastPack's growth should come from our competitive best value proposition, it may also include some merger or acquisition activity. This we see as necessary to ensure that no single entity outgrows other entities to the extent that it can control or dictate industry policy. There needs to be a balance and at present EastPack is the most appropriately positioned to ensure balance is maintained.

However, we do want to ensure that our own expansion retains and enhances what we see as our prime competitive advantage of having sufficient scale at each of our three sites to optimise efficiencies for grower owners and suppliers. Further industry rationalisation will occur. There will be stiff competition to secure sufficient supply and volume throughput to optimise the capital spend in acquiring the latest packing and coolstorage plant and equipment and getting the expected returns and savings from the move to automation. There will be a need too to recruit high quality management from a relatively small pool of expertise.

Most of our larger competitors have a significantly greater challenge in this area with numerous smaller operations requiring major re-investment in the short to medium term.

EastPack's high level of capex, especially over the last three years, positions us a leader in operating some of the most efficient packing and coolstorage facilities in the world today.

## Board

EastPack's Directors' fees have increased substantially this year in line with the approval at last year's Annual Meeting. This adjustment was necessary and appreciated.

The challenges facing the Board today are requiring close attention to critical strategic issues as the company grows and we work to ensure that company and shareholder benefits are maximised.

Our Directors, particularly our Grower Directors, are each allocated specific responsibilities and duties, including representing EastPack and you, our shareholders, on other boards and industry forums. This provides EastPack with the right level of representation and influence within our industry and for all the company's business interests. We believe that our company is being appropriately governed by your Board and there is suitable and valuable input by the two Independent Directors, Dr Mike Ashby and Maurice Kidd. Mark Hudson and Grant Eynon retire by rotation at this year's Annual Meeting and both are offering themselves for re-election.

During the year a formal election process and terms of reference were agreed for the EastPack Entity Trust (EET) and endorsement will be sought again at this year's Annual Meeting to be held on Monday, 26 April 2010, at 7:30pm at the Edgecumbe Hall.

## Acknowledgements

As chairman, I wish to thank my fellow Directors for their support and input over the last year. We would also like to acknowledge the important contribution made by the advisors to EastPack Entity Trust in providing candid feedback reflecting grower views on a wide range of issues and enabling EastPack to communicate strategy and direction. We also thank EastPack's Executive and staff whose efforts, willingness to adopt change and dedication to lifting quality contributed so significantly to a successful 2009. We also wish to acknowledge our growers for supporting us and for their professionalism, innovation and participation in attending meetings and field days.

We look forward to the opportunities before us in 2010 and beyond.



R B Sharp  
Chairman



A J Hawken  
Chief Executive



## STATEMENT OF CORPORATE GOVERNANCE

### Financial Statements

It is the directors' responsibility to ensure preparation of financial statements that give a true and fair view of the financial position of the company as at the end of the financial year and the results of operations and cash flows for the year. The external auditors are responsible for expressing an independent opinion on the financial statements.

The financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practice. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates.

After reviewing internal management financial reports and budgets the directors believe that the company will continue to be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Board of Directors

The company's constitution requires a minimum number of 6 shareholder directors, of those shareholder directors, not less than 4 shall hold Transactor Shares, and not less than 2 shall hold Investor Shares. At any given time not less than one director must reside in the Whakatane District, not less than one director must reside in the Opotiki District and not less than one director must reside in the Western Bay of Plenty or Hawkes Bay Districts. The maximum number of directors is nine.

At least one third of Directors shall retire from office each year at the annual general meeting, but shall be eligible for re-election. The retiring Directors must be those Directors who have been longest serving since they were last elected.

In addition to the shareholder directors, the Board may appoint not more than 2 persons, to be directors of the Company for such period as the Board shall think fit. An Appointed Director shall not be taken into account in determining the number of directors who are to retire by rotation at any annual meeting and he or she shall cease to hold office as a director at the expiration of the period for which he or she was appointed.

The Board currently comprises six shareholder directors, and two appointed directors.

The Directors have a wide range of skills and expertise that they use to the benefit of the company.

The primary responsibilities of the Board include:

- to establish the vision of the company
- to establish long term goals and strategies of the company
- to approve annual financial reports
- to approve annual budgets
- to approve corporate policies
- to ensure the company has good internal controls and keeps adequate records
- to ensure legislative compliance
- to monitor executive management
- to ensure appropriate communication to stakeholders

Board procedures are governed by the Constitution.



## **Conflicts of Interest and Related Parties**

All Directors must disclose any general and specific interests that could be in conflict with their obligations to the company. Transactions with related parties and balances outstanding relating to the year ending 31 December 2009 are disclosed in Note 33 of the Notes to the Financial Statements.

## **Risk Management**

The Board is responsible for the company's system of internal controls. The Board monitors the operational and financial aspects of the company and considers recommendations from external auditors and advisors on the risks that the company faces.

The Board ensures that recommendations made are assessed and appropriate action is taken where necessary to ensure risks are managed appropriately.

## **Internal Controls**

It is management's responsibility to ensure adequate accounting records are held. Directors are responsible for the company's system of internal financial controls.

Internal financial controls have been implemented to minimize the possibility of material misstatement. They can provide only reasonable assurance and not absolute assurance against material misstatements or loss.

No major breakdowns of internal controls were identified during the year.

## **Committees**

The Board operates an Audit Committee.

## **Audit Committee**

Review of the annual and financial reports are carried out by the Board.

## **Attendance at meetings**

Directors meeting attendances are disclosed in the Statutory Information section of this report.

## **Directors Remuneration**

Directors' remuneration during the year is disclosed in the Statutory Information section of this report.

## **Executives' Remuneration**

Executives' remuneration greater than \$100,000 per annum received in their capacity as employees during the year is disclosed in the Statutory Information section of this report.

## **Entries in the Interests Register**

In addition to the interests and related party transactions disclosures in Note 33 of the Notes to the Financial Statements, there were no interests disclosed to the Board during the year.

## **EASTPACK LIMITED** **STATUTORY INFORMATION**

**As required by Section 211 of the Companies Act 1993 we disclose the following information:**

The Group's principle activities during the year were:

- Packing and coolstorage of kiwifruit
- Orchard management

Directors' Interests:

R M Hudson, A K Woolsey, A Gault, M McBride and R B Sharp own orchards for which the Company provides services on normal commercial terms.

G S Eynon and M J Montgomery own a kiwifruit contracting business that provides labour and contracting services to EastPack Kiwifruit Operations Limited under normal commercial terms. G S Eynon and M J Montgomery own an orchard that is leased to EastPack Kiwifruit Operations Limited on normal commercial terms.

R M Hudson is a partner of a business that provides contracting services to EastPack Kiwifruit Operations Ltd on normal commercial terms.

M J Montgomery is a Trustee of a Trust that leases property (EPC coolstores) to EastPack Ltd on normal commercial terms.

R B Sharp is a director of Zespri, a major customer of EastPack Ltd. RB Sharp is also a Director of Robert Monk Transport Ltd which provides transport services to EastPack Limited on normal commercial terms. RB Sharp has no financial interest in Robert Monk Transport Ltd.

Use of Company Information:

The Board received no notices during the year from directors requesting the use of company information received in their capacity as directors which would not have been otherwise available to them.

Share Dealing:

Directors acquiring shares or any interest in shares in the company during the year are as follows:

|                 | Shares Acquired<br>During the year |          | Shares Sold<br>During the year |          |
|-----------------|------------------------------------|----------|--------------------------------|----------|
|                 | Transactor                         | Investor | Transactor                     | Investor |
| K M Clarke      | -                                  | -        | -                              | -        |
| G S Eynon       | 3,120                              | -        | -                              | -        |
| R M Hudson      | 5,095                              | -        | -                              | -        |
| A Gault         | 15,844                             | -        | -                              | -        |
| A K Woolsey     | -                                  | 3,182    | -                              | -        |
| M J Montgomery  | 3,120                              | -        | -                              | -        |
| R B Sharp       | 49,726                             | -        | -                              | -        |
| M S Ashby       | -                                  | -        | -                              | -        |
| M G Kidd        | -                                  | -        | -                              | -        |
| M McBride       | 4,826                              | -        | -                              | -        |
| G W Sommerville | 19,709                             | -        | -                              | -        |

All Transactor shares were issued at \$1 per share.



# EASTPACK LIMITED STATUTORY INFORMATION

## Remuneration & Other Benefits:

The following persons held office as Director during the year and received the following remuneration:

|                 | 2009           |                |                   | 2008           |                |  |
|-----------------|----------------|----------------|-------------------|----------------|----------------|--|
|                 | Remuneration   | Other Benefits | Meetings Attended | Remuneration   | Other Benefits |  |
| K M Clarke      | -              | -              | -                 | 6,000          | -              |  |
| G S Eynon       | 25,833         | -              | 11                | 15,000         | -              |  |
| R M Hudson      | 24,500         | -              | 11                | 12,000         | -              |  |
| M J Montgomery  | 24,500         | -              | 12                | 13,500         | -              |  |
| M McBride       | 16,833         | -              | 8                 | -              | -              |  |
| C G Overdevest  | -              | -              | -                 | 9,000          | -              |  |
| A Gault         | 16,833         | -              | -                 | -              | -              |  |
| A K Woolsey     | 7,833          | -              | 1                 | 14,000         | -              |  |
| M S Ashby       | 27,500         | -              | 11                | 20,000         | -              |  |
| G W Sommerville | 7,668          | -              | 3                 | 3,000          | -              |  |
| M G Kidd        | 35,000         | -              | 12                | 8,750          | -              |  |
| R B Sharp       | 50,000         | -              | 11                | 30,000         | -              |  |
|                 | <u>236,500</u> | <u>-</u>       |                   | <u>131,250</u> | <u>-</u>       |  |

AK Woolsey and GW Sommerville retired as directors as at 27 April 2009. M McBride and A Gault were elected as directors 27 April 2009.

## Remuneration of Employees

The number of employees, who are not directors, whose remuneration and benefits exceeded \$100,000 in the financial year were:

|                   | Group     | Parent    |
|-------------------|-----------|-----------|
| 100,000 - 110,000 | 2         | 2         |
| 120,000 - 130,000 | 1         | 1         |
| 130,000 - 140,000 | 1         | 1         |
| 140,000 - 150,000 | 3         | 2         |
| 150,000 - 160,000 | 1         | 1         |
| 180,000 - 190,000 | 1         | 1         |
| 200,000 - 210,000 | 1         | 1         |
| 260,000 - 270,000 | 1         | 1         |
|                   | <u>11</u> | <u>10</u> |

## Donations

No donations were made by the company during the year.

For and on behalf of the Board:



Chairman

22 March 2010



Director

22 March 2010

**EASTPACK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

|  | Notes | GROUP                   |                         | PARENT                  |                         |
|--|-------|-------------------------|-------------------------|-------------------------|-------------------------|
|  |       | 2009<br>\$              | 2008<br>\$              | 2009<br>\$              | 2008<br>\$              |
| Revenue  | (4)   | <u>61,249,468</u>       | <u>56,244,259</u>       | <u>57,694,993</u>       | <u>53,972,476</u>       |
| Packaging materials                            |       | 12,119,540              | 11,635,811              | 12,119,540              | 11,635,811              |
| Employee benefits                              |       | 23,366,989              | 21,328,684              | 22,446,590              | 20,950,571              |
| Depreciation                                   |       | 4,948,842               | 4,635,019               | 4,948,842               | 4,633,594               |
| Amortisation                                   |       | -                       | 1,200                   | -                       | 1,200                   |
| Directors compensation                         |       | 236,500                 | 131,250                 | 233,500                 | 131,250                 |
| Other expenses                                 |       | 9,908,483               | 8,803,845               | 7,020,785               | 6,467,081               |
| Rental and operating lease expenses            |       | 750,454                 | 794,635                 | 754,322                 | 801,982                 |
| Finance costs                                  |       | <u>1,088,282</u>        | <u>2,262,508</u>        | <u>1,088,107</u>        | <u>2,262,508</u>        |
|  |       | 52,419,090              | 49,592,952              | 48,611,686              | 46,883,997              |
| Operating profit before rebates                |       | 8,830,378               | 6,651,307               | 9,083,307               | 7,088,479               |
| Less rebates paid                              |       | 3,878,170               | 3,015,716               | 3,878,170               | 3,015,716               |
| Share of profit/(loss) in associates           | (29)  | <u>377,148</u>          | <u>684,868</u>          | -                       | -                       |
| Operating profit before taxation               |       | 5,329,356               | 4,320,459               | 5,205,137               | 4,072,763               |
| Less taxation                                  | (6)   | 1,349,442               | 1,130,368               | 1,318,177               | 1,255,942               |
| <b>Operating profit after taxation</b>         |       | <u><b>3,979,914</b></u> | <u><b>3,190,091</b></u> | <u><b>3,886,960</b></u> | <u><b>2,816,821</b></u> |
| <b>Other comprehensive income</b>              |       |                         |                         |                         |                         |
| Gain on revaluation                            | (9)   | 2,006,278               | -                       | 2,006,278               | -                       |
| Gain on fair value of equity investments       | (9)   | 36,051                  | 54,965                  | 36,051                  | 54,965                  |
| <b>Other comprehensive income for the year</b> |       | <u><b>2,042,329</b></u> | <u><b>54,965</b></u>    | <u><b>2,042,329</b></u> | <u><b>54,965</b></u>    |
| <b>Total Comprehensive income for the year</b> |       | <u><b>6,022,243</b></u> | <u><b>3,245,056</b></u> | <u><b>5,929,289</b></u> | <u><b>2,871,786</b></u> |
| <b>Profit attributable to:</b>                 |       |                         |                         |                         |                         |
| Owners of the Company                          |       | 6,018,526               | 3,245,056               |                         |                         |
| Minority interests                             |       | 3,717                   | -                       |                         |                         |
| <b>Earnings per share</b>                      |       |                         |                         |                         |                         |
| Basic earnings per share                       | (7)   | 0.16 cents              | 0.13 cents              |                         |                         |
| Diluted earnings per share                     | (7)   | 0.16 cents              | 0.13 cents              |                         |                         |

**EASTPACK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

| Notes  | Share capital    | Properties<br>revaluation<br>reserve | Fair value<br>reserve | Retained<br>earnings | Minority<br>interests | Total             |
|--|------------------|--------------------------------------|-----------------------|----------------------|-----------------------|-------------------|
|  | \$               | \$                                   | \$                    | \$                   | \$                    | \$                |
| <b>GROUP</b>                                     |                  |                                      |                       |                      |                       |                   |
| Opening balance 1 January 2008                   | 9,617,088        | 11,658,617                           | -                     | 3,993,788            | -                     | 25,269,493        |
| Profit or loss for the year (10)                 | -                | -                                    | -                     | 3,190,091            | -                     | 3,190,091         |
| Other comprehensive income:                      |                  |                                      |                       |                      |                       |                   |
| Fair value of equity investments (9)             | -                | -                                    | 54,965                | -                    | -                     | 54,965            |
| Payment of dividends (12)                        | -                | -                                    | -                     | (1,897,793)          | -                     | (1,897,793)       |
| <b>Closing balance 31 December 2008</b>          | <b>9,617,088</b> | <b>11,658,617</b>                    | <b>54,965</b>         | <b>5,286,086</b>     | <b>-</b>              | <b>26,616,756</b> |
| Profit or loss for the year (10)                 | -                | -                                    | -                     | 3,976,197            | 3,717                 | 3,979,914         |
| Other comprehensive income:                      |                  |                                      |                       |                      |                       |                   |
| Fair value of equity investments (9)             | -                | -                                    | 36,051                | -                    | -                     | 36,051            |
| Revaluation of property, plant and equipment (9) | -                | 2,006,278                            | -                     | -                    | -                     | 2,006,278         |
| Minority interest equity on acquisition (11)     | -                | -                                    | -                     | (26,288)             | 20,000                | (6,288)           |
| Payment of dividends (12)                        | -                | -                                    | -                     | (2,358,977)          | -                     | (2,358,977)       |
| <b>Closing balance 31 December 2009</b>          | <b>9,617,088</b> | <b>13,664,895</b>                    | <b>91,016</b>         | <b>6,877,019</b>     | <b>23,717</b>         | <b>30,273,735</b> |
| <b>PARENT</b>                                    |                  |                                      |                       |                      |                       |                   |
| Opening balance 1 January 2008                   | 9,617,088        | 11,658,617                           | -                     | 3,205,571            | -                     | 24,481,276        |
| Profit or loss for the year (10)                 | -                | -                                    | -                     | 2,816,821            | -                     | 2,816,821         |
| Other comprehensive income:                      |                  |                                      |                       |                      |                       |                   |
| Fair value of equity investments (9)             | -                | -                                    | 54,965                | -                    | -                     | 54,965            |
| Payment of dividends (12)                        | -                | -                                    | -                     | (1,897,793)          | -                     | (1,897,793)       |
| <b>Closing balance 31 December 2008</b>          | <b>9,617,088</b> | <b>11,658,617</b>                    | <b>54,965</b>         | <b>4,124,599</b>     | <b>-</b>              | <b>25,455,269</b> |
| Profit or loss for the year (10)                 | -                | -                                    | -                     | 3,886,960            | -                     | 3,886,960         |
| Other comprehensive income:                      |                  |                                      |                       |                      |                       |                   |
| Fair value of equity investments (9)             | -                | -                                    | 36,051                | -                    | -                     | 36,051            |
| Revaluation of property, plant and equipment (9) | -                | 2,006,278                            | -                     | -                    | -                     | 2,006,278         |
| Payment of dividends (12)                        | -                | -                                    | -                     | (2,358,977)          | -                     | (2,358,977)       |
| <b>Closing balance 31 December 2009</b>          | <b>9,617,088</b> | <b>13,664,895</b>                    | <b>91,016</b>         | <b>5,652,583</b>     | <b>-</b>              | <b>29,025,582</b> |



**EASTPACK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

|  | Notes | GROUP             |                   | PARENT            |                   |
|--|-------|-------------------|-------------------|-------------------|-------------------|
|  |       | 2009              | 2008              | 2009              | 2008              |
|  |       | \$                | \$                | \$                | \$                |
| <b><u>EQUITY</u></b>                                       |       |                   |                   |                   |                   |
| Share capital  | (8)   | 9,617,088         | 9,617,088         | 9,617,088         | 9,617,088         |
| Reserves   | (9)   | 13,755,911        | 11,713,582        | 13,755,911        | 11,713,582        |
| Retained earnings  | (10)  | 6,877,019         | 5,286,087         | 5,652,583         | 4,124,600         |
| Total equity attributable to equity holders of the Company |       | 30,250,018        | 26,616,757        | 29,025,582        | 25,455,270        |
| Minority interest  | (11)  | 23,717            | -                 | -                 | -                 |
| Total Equity   |       | 30,273,735        | 26,616,757        | 29,025,582        | 25,455,270        |
| <b><u>NON CURRENT LIABILITIES</u></b>                      |       |                   |                   |                   |                   |
| Deferred taxation  | (6)   | 3,554,301         | 2,868,074         | 3,144,877         | 2,682,388         |
| Income in advance  | (19)  | 382,230           | 632,230           | 382,230           | 632,230           |
| Transactor shares  | (18)  | 11,114,040        | 9,828,800         | 11,114,040        | 9,828,800         |
| Borrowings   | (20)  | 10,200,000        | 18,200,000        | 10,200,000        | 18,200,000        |
|  |       | 25,250,571        | 31,529,104        | 24,841,147        | 31,343,418        |
| <b><u>CURRENT LIABILITIES</u></b>                          |       |                   |                   |                   |                   |
| Borrowings - current portion                               | (20)  | 11,470,000        | 4,000,000         | 11,470,000        | 4,000,000         |
| Accounts payable   | (13)  | 6,625,231         | 6,900,670         | 6,282,800         | 6,656,747         |
| GST payable  | (13)  | 315,527           | 194,985           | 315,243           | 166,366           |
| Employee entitlements                                      | (14)  | 289,793           | 263,669           | 279,243           | 263,669           |
| Provision for dividend                                     | (15)  | 1,134,544         | 912,895           | 1,134,544         | 912,895           |
| Provision for taxation                                     | (6)   | 114,513           | 330,581           | 323,204           | 325,966           |
| Derivatives  | (21)  | -                 | 90,228            | -                 | 90,228            |
| Income in advance  | (19)  | 250,000           | 250,000           | 250,000           | 250,000           |
|  |       | 20,199,608        | 12,943,028        | 20,055,034        | 12,665,871        |
| <b>TOTAL FUNDS EMPLOYED</b>                                |       | <b>75,723,914</b> | <b>71,088,889</b> | <b>73,921,763</b> | <b>69,464,559</b> |
| <b><u>NON CURRENT ASSETS</u></b>                           |       |                   |                   |                   |                   |
| Property, plant and equipment                              | (27)  | 66,922,276        | 61,345,772        | 66,899,971        | 61,333,006        |
| Investments in subsidiaries                                | (28)  | -                 | -                 | 80,999            | 999               |
| Investments in associates                                  | (29)  | 1,443,735         | 1,523,351         | 712,078           | 785,410           |
| Investments  | (30)  | 923,326           | 955,066           | 786,095           | 785,044           |
| Intangible assets  | (31)  | -                 | 10,800            | -                 | 10,800            |
| Unpaid capital - term                                      | (26)  | 65,026            | 176,377           | 65,026            | 176,377           |
|  |       | 69,354,363        | 64,011,366        | 68,544,169        | 63,091,636        |
| <b><u>CURRENT ASSETS</u></b>                               |       |                   |                   |                   |                   |
| Cash and cash equivalents                                  | (22)  | 640,709           | 1,998,096         | 271,341           | 1,939,521         |
| Accounts receivable  | (23)  | 2,091,885         | 2,087,985         | 1,445,528         | 639,973           |
| Intercompany advances                                      | (33)  | -                 | -                 | 1,427,834         | 1,452,834         |
| Leased orchards  | (24)  | 1,368,448         | 618,952           | -                 | -                 |
| Inventory  | (25)  | 2,235,749         | 2,344,990         | 2,200,131         | 2,313,095         |
| Unpaid capital - current                                   | (26)  | 32,760            | 27,500            | 32,760            | 27,500            |
|  |       | 6,369,551         | 7,077,523         | 5,377,594         | 6,372,923         |
| <b>TOTAL ASSETS</b>  |       | <b>75,723,914</b> | <b>71,088,889</b> | <b>73,921,763</b> | <b>69,464,559</b> |

For and on behalf of the Board:



Chairman 22 March 2010



Director 22 March 2010

**EASTPACK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

| Notes   | GROUP              |                    | PARENT             |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | 2009<br>\$         | 2008<br>\$         | 2009<br>\$         | 2008<br>\$         |
| <b><u>CASHFLOWS FROM OPERATING ACTIVITIES</u></b> |                    |                    |                    |                    |
| Cash was provided from:                           |                    |                    |                    |                    |
| Receipts from customers                           | 62,419,912         | 56,953,164         | 57,340,780         | 54,769,379         |
| Interest received                                 | 56,274             | 129,747            | 12,263             | 63,955             |
| Dividends received                                | 195,921            | 115,502            | 552,180            | 264,743            |
| Taxation refunds                                  | -                  | 145,251            | -                  | 147,642            |
| Net GST received                                  | 177,348            | 193,420            | 92,220             | 192,721            |
|   | <u>62,849,455</u>  | <u>57,537,084</u>  | <u>57,997,443</u>  | <u>55,438,440</u>  |
| Cash was disbursed to:                            |                    |                    |                    |                    |
| Payments to suppliers & employees                 | 52,322,960         | 43,709,371         | 46,973,220         | 41,006,745         |
| Payment of interest                               | 1,092,898          | 2,370,503          | 1,092,898          | 2,370,503          |
| Net GST Paid                                      | -                  | -                  | -                  | -                  |
| Taxation paid                                     | 1,328,324          | -                  | 1,320,939          | -                  |
|   | <u>54,744,182</u>  | <u>46,079,874</u>  | <u>49,387,057</u>  | <u>43,377,248</u>  |
| NET CASH FLOWS FROM OPERATING ACTIVITIES (32)     | <u>8,105,273</u>   | <u>11,457,210</u>  | <u>8,610,386</u>   | <u>12,061,192</u>  |
| <b><u>CASHFLOWS FROM INVESTING ACTIVITIES</u></b> |                    |                    |                    |                    |
| Cash was provided from:                           |                    |                    |                    |                    |
| Associate dividends/rebates                       | 357,143            | 528,380            | -                  | -                  |
| Proceeds from investments                         | 32,792             | -                  | -                  | -                  |
|   | <u>389,935</u>     | <u>528,380</u>     | <u>-</u>           | <u>-</u>           |
| Cash was disbursed to:                            |                    |                    |                    |                    |
| Purchase of shares                                | 80,000             | 2,679              | 80,000             | -                  |
| Purchase of associates                            | -                  | -                  | -                  | -                  |
| Purchase of fixed assets                          | 8,948,183          | 7,995,782          | 8,947,569          | 7,991,205          |
|   | <u>9,028,183</u>   | <u>7,998,461</u>   | <u>9,027,569</u>   | <u>7,991,205</u>   |
| NET CASH FLOWS FROM INVESTING ACTIVITIES          | <u>(8,638,248)</u> | <u>(7,470,081)</u> | <u>(9,027,569)</u> | <u>(7,991,205)</u> |
| <b><u>CASHFLOWS FROM FINANCING ACTIVITIES</u></b> |                    |                    |                    |                    |
| Cash was provided from:                           |                    |                    |                    |                    |
| Issue of shares                                   | 1,285,240          | 659,210            | 1,285,240          | 659,210            |
| Unpaid capital receipts                           | 106,091            | 162,556            | 106,091            | 162,556            |
| Advances from subsidiaries                        | -                  | -                  | 25,000             | 109,497            |
| Cash on acquisition of subsidiary                 | 466,318            | -                  | -                  | -                  |
|   | <u>1,857,649</u>   | <u>821,766</u>     | <u>1,416,331</u>   | <u>931,263</u>     |
| Cash was disbursed to:                            |                    |                    |                    |                    |
| Advances to associates                            | 14,823             | -                  | -                  | -                  |
| Payment of dividends                              | 2,137,238          | 984,898            | 2,137,328          | 984,898            |
| Reduction of term loans                           | 530,000            | 2,000,000          | 530,000            | 2,000,000          |
|   | <u>2,682,061</u>   | <u>2,984,898</u>   | <u>2,667,328</u>   | <u>2,984,898</u>   |
| NET CASH FLOWS FROM FINANCING ACTIVITIES          | <u>(824,412)</u>   | <u>(2,163,132)</u> | <u>(1,250,997)</u> | <u>(2,053,635)</u> |
| NET CASH SURPLUS (DEFICIT)                        | (1,357,387)        | 1,823,997          | (1,668,180)        | 2,016,352          |
| Add opening cash and cash equivalents balance     | 1,998,096          | 174,099            | 1,939,521          | (76,831)           |
| Closing cash and cash equivalents (22)            | <u>640,709</u>     | <u>1,998,096</u>   | <u>271,341</u>     | <u>1,939,521</u>   |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

EastPack Limited (the "Company") is a Hybrid Co-operative company domiciled and incorporated in New Zealand, registered under the Co-operative Companies Act 1996. The Company is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements of the Company has been prepared in accordance with the Financial Reporting Act 1993.

The financial statements for the "Parent" are for the Company as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising the Company and its subsidiaries per note 28.

The Company and Group are designated as profit oriented entities for financial reporting purposes. The principal activities of the Group and Company are operating a packhouse, coolstorage, providing orchard management and a transport agent.

The financial statements were approved by the Board of Directors on 22 March 2010. Once issued, the Directors do not have the power to amend these financial statements.

**(a) Basis of preparation of the financial report**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Compliance with IFRS

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand. They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. They also comply with International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

Historical Cost Convention

The financial report has been prepared under the historical cost convention, with the exception of some liabilities which are measured at fair value, and revaluations to fair value for certain classes of assets as described in the accounting policies.

Functional and Presentation Currency

These financial statements are presented in New Zealand dollars (\$), which is the Company and Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

Accounting for Goods and Services Tax

All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated with GST included. The net amount of GST recoverable from, or payable to, Inland Revenue, is included as part of receivables or payables in the balance sheet.

**(b) Consolidation**

Investments in subsidiaries and associates by the Company are carried at cost in the Company's financial statements.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) that the Group has the power to govern the financial and operating policies of. This power is accompanied by the Group having shareholding of more than one half of the voting rights of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**(b) Consolidation (continued)**

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Except for non-current assets that are classified as held for sale (which are measured at fair value less costs to sell), identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated, but are considered an impairment indicator of the asset transferred.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associate companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**(c) Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Goods and Services Tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sales and charges

Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest revenue

Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Rent revenue

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

**(d) Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**(e) Leased Orchards**

Prepaid leased orchard expenses are carried forward in the Statement of Financial Position as an asset and recognised at the same time as the income to which they relate, i.e. against the crop proceeds from the following year. The asset is released as the prepaid expense is incurred in the profit or loss.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**(f) Property, Plant and Equipment**

All items of Property, Plant and Equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase/construction price, costs directly attributable to bringing it to the location and condition necessary for it to operate as intended and the initial estimate of dismantling and removing the item and restoring the site on which it is located. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Where an item of property, plant and equipment is self-constructed, its construction cost includes the cost of materials and direct labour and an appropriate proportion of production overheads.

After initial recognition, all items of property, plant and equipment, except land and buildings, are measured at cost less accumulated depreciation and impairment losses.

Land, land improvements, buildings and plant and equipment are measured at revalued amounts less any subsequent accumulated depreciation and impairment losses. Revaluations are undertaken by an independent registered valuer with sufficient frequency to ensure that the carrying value of the item does not differ materially from its fair value. Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the profit or loss. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the asset and the net amount is restated to the revalued amount of the asset. At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as an expense as incurred. Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e. if the asset is impaired).

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss. Upon disposal or derecognition of a revalued asset, any revaluation reserve relating to the particular asset is transferred to retained earnings.

**Other plant and equipment**

Other plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Plant and equipment not revalued includes: motor vehicles, Information technology assets and furniture and fittings.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**(f) Property, Plant and Equipment (continued)**

**Depreciation**

Land is not depreciated. Capital works in progress are not depreciated until completed and available for use. Depreciation on other assets is calculated using the straight-line and diminishing value methods to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Depreciation is charged in the profit or loss. The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each balance sheet date. Land is not depreciated. Capital works in progress are not depreciated until commissioned.

The depreciation rates used for each class of assets are:

| <u>Class of fixed asset</u> | <u>Depreciation basis</u> |                   |
|-----------------------------|---------------------------|-------------------|
| Land Improvements           | 4%                        | Diminishing value |
| Buildings                   | 2.5 - 15 %                | Straight line     |
| Plant and Motor Vehicles    | 7.5 - 60 %                | Diminishing value |
| Furniture and Fittings      | 9 - 60 %                  | Diminishing value |

**(g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

**Leases as a Lessee**

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables.

The property, plant and equipment acquired under a finance lease is depreciated over the shorter of the asset's useful life and the lease term and is assessed for indicators of impairment in the same manner as other non-financial assets.

Each lease payment is allocated between the liability and finance charges. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

**Leases as a lessor**

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment and are assessed for indicators of impairment in the same manner as other non-financial assets. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

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**(h) Intangibles**

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Patents, trademarks and licences

Intangible assets with finite lives are tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Patents, trademarks and licences are recognised at cost of acquisition. Patents, trademarks and licenses have a finite life and are carried at cost less accumulated amortisation and any impairment losses. They are amortised over their estimated useful lives which range from 10 to 15 years.

**(i) Income Tax**

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.



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**(i) Income Tax (continued)**

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(j) Foreign Currency**

Transactions and Balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in equity as qualifying cash flow hedges.

**(k) Employee Benefits**

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

Wages, salaries, statutory days in lieu, annual leave, and sick leave

Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Profit sharing and bonus plan

The Group recognises bonuses and profit sharing payments when it is contractually obliged to make such payments, or when there is a past practice that has created a constructive obligation to make such payments.

Superannuation plans

The Group pays contributions to superannuation plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(l) Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**(m) Finance Costs**

Finance expenses comprise interest expense on borrowings (except when capitalised to a qualifying asset), unwinding of the discount on provisions, foreign currency losses, and impairment losses recognised on financial assets (except for trade receivables).

Finance costs are expensed using the effective interest method.

**(n) Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred.

Where the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs capitalised are the actual borrowing costs incurred on that borrowing, less any investment income on the temporary investment of those borrowings.

Where the Group borrows funds generally and uses them to fund a qualifying asset, the amount of borrowing costs capitalised is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of funding a qualifying asset.

**(o) Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(p) Financial Instruments**

**Classification**

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(p) Financial Instruments (continued)**

Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Held-to-maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

The Group's loans and receivables comprise receivables and cash and cash equivalents.

Available-for-sale

Available for sale financial assets are non derivatives, principally equity securities, that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. Investments in equity instruments that do have a quoted market price in an active market and whose fair values cannot be reliably measured are recognised and subsequently carried at cost.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity, except for foreign exchange movements on monetary assets, which are recognised in the profit or loss. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

**EASTPACK LIMITED**  
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**(p) Financial Instruments (continued)**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the profit or loss.

**Financial liabilities**

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities. Non-interest bearing loans and payables are payable on demand and are therefore recognised at their face value at inception.

Financial liabilities are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the profit or loss over the period of the borrowing using the effective interest method.

**Hedge accounting**

The Group uses derivative financial instruments (forward exchange contracts and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are recycled in the profit or loss in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**(p) Financial Instruments (continued)**

Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the profit or loss.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement purposes. The fair value of forward exchange contracts is determined using forward exchange market rates for contracts with similar maturity profiles at the reporting date. The fair value of interest rate swaps is determined by reference to market values for similar contracts.

**(q) Transactor Shares**

Transactor share capital is classified as a liability as they are redeemable at the option of the shareholder. Rebates payable to Transactor shareholders are recognised in the profit or loss on an accruals basis.

**(r) Dividend distribution**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

**(s) Change in Accounting Policy**

The following new and revised standards and interpretations have been adopted in the current period and have affected the amounts and disclosures reported in these financial statements. Details of other standards and interpretations issued but not adopted are reported in note 2.

*IAS 1 (as revised in 2007) Presentation of Financial Statements* - IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

*IFRS 8 Operating Segments* - IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (see note 36).

*NZ IAS 7 Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)* - The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.

*Revaluation of plant and equipment* - Also during the year the Company changed its policy on revaluation of plant and equipment. Previously the Company has not revalued plant and equipment. During 2009 (as detailed in note 27), land, land improvements, buildings, plant and equipment were revalued by an independent external valuer. Increases in value were taken to asset revaluation reserve. Any resultant decreases were taken to profit or loss.

There have been no other changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are based on past performance and management's expectation for the future.

**Critical accounting estimates and assumptions**

In the application of NZ IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTE 3: NEW STANDARDS**

**Standards, interpretations and amendments to published standards that are not yet effective:**

Certain new standards, amendments and interpretations issued by the IASB and the New Zealand Equivalents to those standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not early adopted.

**Not yet adopted:**

Improvements to New Zealand equivalents to IFRS. Part 1 covers amendments resulting in accounting changes for presentation, recognition or measurement purposes for the following relevant standards: NZ IFRS 5 - Plan to sell the controlling interest in a subsidiary; NZ IAS 16 - Recoverable amount; NZ IAS 16 - Sale of assets held for rental; NZ IAS 23 - Components of borrowing costs; NZ IAS 27 - Measurement of subsidiary held for sale in separate financial statements; NZ IAS 36 - Disclosure of estimates used to determine recoverable amount; NZ IAS 40 - Property under construction or development for future use as investment property. Part 2 of the improvements sets out amendments to various standards which affect terminology or editorial changes only, with no or minimal effect on accounting. The amended standards become mandatory for the Group's 2010 financial statements. The impact on the financial statements has not yet been determined.

*IFRS 3 Business Combinations and IAS 27 (as revised in 2008)* - These revisions completed phase II of the ASRB business combinations project. The revisions now require: acquisition costs to be expensed in the profit or loss; contingent consideration as an adjustment to liability and to be recognised in the profit or loss; partial acquisitions have a choice of measurement basis for non-controlling interests (cost or fair value); step acquisitions requires previous/residual holdings to be remeasured to fair value; and transactions with non-controlling interests to be recognised in equity with no goodwill or profit or loss. The amended standards become mandatory for the Group's 2010 financial statements or any business combinations occurring on or after 1 July 2009. The impact on the financial statements has not yet been determined.

*Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)* - The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The impact on the financial statements has not yet been determined but is only additional disclosures.

The Group has not early adopted any NZ IFRS's.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**4. REVENUE**

|                    | GROUP             |                   | PARENT            |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | 2009              | 2008              | 2009              | 2008              |
|                    | \$                | \$                | \$                | \$                |
| Sales and charges  | 59,391,138        | 55,085,044        | 55,501,235        | 52,656,673        |
| Dividends received | 195,037           | 115,502           | 552,180           | 264,743           |
| Rent revenue       | 13,684            | 17,449            | 13,684            | 17,449            |
| Interest revenue   | 27,854            | 50,865            | 2,271             | 50,865            |
| Other revenue      | 1,621,755         | 975,399           | 1,625,623         | 982,746           |
|                    | <u>61,249,468</u> | <u>56,244,259</u> | <u>57,694,993</u> | <u>53,972,476</u> |

**5. AUDITORS' REMUNERATION**

|  | GROUP         |               | PARENT        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2009          | 2008          | 2009          | 2008          |
|  | \$            | \$            | \$            | \$            |
| Amounts paid or due and payable to the auditors for: |               |               |               |               |
| Auditing the financial statements                    | 37,500        | 40,000        | 34,500        | 35,000        |
| Other audit related services                         | 13,500        | 5,500         | 13,500        | 5,500         |
| Other services:                                      |               |               |               |               |
| Tax compliance work and advice                       | 10,000        | 15,000        | 7,500         | 12,000        |
|  | <u>61,000</u> | <u>60,500</u> | <u>55,500</u> | <u>52,500</u> |
| Subsidiary auditor fees paid or payable for:         |               |               |               |               |
| Auditing the financial statements                    | 5,000         | -             | -             | -             |
| Tax compliance work and advice                       | 6,566         | -             | -             | -             |
|  | <u>11,566</u> | <u>-</u>      | <u>-</u>      | <u>-</u>      |
|  | <u>72,566</u> | <u>60,500</u> | <u>55,500</u> | <u>52,500</u> |

**6. INCOME TAX**

|                     | GROUP            |                  | PARENT           |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2009             | 2008             | 2009             | 2008             |
|                     | \$               | \$               | \$               | \$               |
| Income tax expense: |                  |                  |                  |                  |
| Current tax         | 1,256,993        | 1,344,383        | 1,449,472        | 1,415,067        |
| Deferred tax        | 92,449           | (214,015)        | (131,295)        | (159,125)        |
|                     | <u>1,349,442</u> | <u>1,130,368</u> | <u>1,318,177</u> | <u>1,255,942</u> |

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

|   | GROUP            |                  | PARENT           |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2009             | 2008             | 2009             | 2008             |
|   | \$               | \$               | \$               | \$               |
| Prima facie income tax payable on profit before income tax at 30% (2008: 30%) | 1,598,807        | 1,296,138        | 1,561,541        | 1,221,829        |
| Add:  |                  |                  |                  |                  |
| Tax effect of   |                  |                  |                  |                  |
| - non deductible expenses   | 5,716            | 106,337          | 5,716            | 106,337          |
| - non assessable income   | (75,000)         | (75,000)         | (75,000)         | (75,000)         |
| - share of associate dividends  | (6,972)          | (46,946)         | -                | -                |
| - imputation credits received   | (170,479)        | (129,721)        | (170,479)        | (129,721)        |
| - adjustments of prior years  | (2,630)          | (20,440)         | (3,601)          | 132,497          |
| Income tax expense attributable to profit                                     | <u>1,349,442</u> | <u>1,130,368</u> | <u>1,318,177</u> | <u>1,255,942</u> |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**6. INCOME TAX (CONTINUED)**

**Deferred tax assets and liabilities**

|                           | <b>GROUP</b>                     |                       |                          |                    |                          |                    |
|---------------------------|----------------------------------|-----------------------|--------------------------|--------------------|--------------------------|--------------------|
|                           | Property, Plant<br>and Equipment | Stock<br>Obsolescence | Employee<br>Entitlements | Leased<br>Orchards | Fair Value<br>Adjustment | Total              |
|                           | \$                               | \$                    | \$                       | \$                 | \$                       | \$                 |
| 1 January 2008            | (3,051,035)                      | 99,998                | 87,653                   | (218,705)          | -                        | (3,082,089)        |
| Charge/(credit) to income | <u>138,905</u>                   | <u>24,907</u>         | <u>(18,515)</u>          | <u>33,018</u>      | <u>35,700</u>            | <u>214,015</u>     |
| 31 December 2008          | (2,912,130)                      | 124,905               | 69,138                   | (185,687)          | 35,700                   | (2,868,074)        |
| Charge/(credit) to income | 117,043                          | (26,525)              | 47,729                   | (224,855)          | (5,842)                  | (92,451)           |
| Charge/(credit) to equity | <u>(593,777)</u>                 | -                     | -                        | -                  | -                        | <u>(593,777)</u>   |
| 31 December 2009          | <u>(3,388,864)</u>               | <u>98,380</u>         | <u>116,867</u>           | <u>(410,542)</u>   | <u>29,858</u>            | <u>(3,554,301)</u> |

|                           | <b>PARENT</b>                    |                       |                          |                    |                          |                    |
|---------------------------|----------------------------------|-----------------------|--------------------------|--------------------|--------------------------|--------------------|
|                           | Property, Plant<br>and Equipment | Stock<br>Obsolescence | Employee<br>Entitlements | Leased<br>Orchards | Fair Value<br>Adjustment | Total              |
|                           | \$                               | \$                    | \$                       | \$                 | \$                       | \$                 |
| 1 January 2008            | (3,029,165)                      | 99,998                | 87,653                   | -                  | -                        | (2,841,514)        |
| Charge/(credit) to income | <u>117,034</u>                   | <u>24,907</u>         | <u>(18,515)</u>          | -                  | <u>35,700</u>            | <u>159,125</u>     |
| 31 December 2008          | (2,912,131)                      | 124,905               | 69,138                   | -                  | 35,700                   | (2,682,388)        |
| Charge/(credit) to income | 117,043                          | (26,525)              | 46,619                   | -                  | (5,842)                  | 131,295            |
| Charge/(credit) to equity | <u>(593,784)</u>                 | -                     | -                        | -                  | -                        | <u>(593,784)</u>   |
| 31 December 2009          | <u>(3,388,872)</u>               | <u>98,380</u>         | <u>115,757</u>           | -                  | <u>29,858</u>            | <u>(3,144,877)</u> |

**Provision for Taxation**

|  | <b>GROUP</b>     |                  | <b>PARENT</b>    |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2009             | 2008             | 2009             | 2008             |
|  | \$               | \$               | \$               | \$               |
| Opening balance                          | (330,581)        | 999,933          | (325,966)        | 1,077,625        |
| Current year tax expense                 | (1,349,442)      | (1,130,368)      | (1,318,177)      | (1,255,942)      |
| Tax expense attributable to deferred tax | 92,449           | (214,015)        | (131,295)        | (159,126)        |
| Tax payments                             | 1,302,290        | 13,494           | 1,281,755        | 11,477           |
| Imputation credits received              | <u>170,771</u>   | <u>375</u>       | <u>170,479</u>   | -                |
| Closing tax refund / (payable)           | <u>(114,513)</u> | <u>(330,581)</u> | <u>(323,204)</u> | <u>(325,966)</u> |

**Imputation Credit Account**

|   | <b>PARENT</b>    |                  |
|---|------------------|------------------|
|   | 2009             | 2008             |
| Balance as at 1 January 2008              | 2,212,391        | 3,273,741        |
| Income tax payments (refunds) during year | 1,218,751        | -                |
| Imputation credits on dividends received  | 170,771          | 129,721          |
| Imputation credits on dividends paid      | (1,118,623)      | (485,099)        |
| Prior period adjustment                   | -                | (717,122)        |
| Resident withholding tax paid             | <u>10,354</u>    | <u>11,150</u>    |
| Balance as at 31 December 2009            | <u>2,493,644</u> | <u>2,212,391</u> |

At balance date the imputation credits available to the shareholders of the parent company:

|  |                  |                  |
|--|------------------|------------------|
| Through direct holding in parent company | 2,493,644        | 2,212,391        |
| Through direct interests in subsidiaries | <u>75,286</u>    | <u>67,900</u>    |
|  | <u>2,568,930</u> | <u>2,280,291</u> |



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**7. EARNINGS PER SHARE**

|  | <b>GROUP AND PARENT</b> |             |
|--|-------------------------|-------------|
|  | <b>2009</b>             | <b>2008</b> |
|  | <b>\$</b>               | <b>\$</b>   |
| Profit attributable to ordinary shareholders           | 3,979,914               | 3,190,091   |
| Profitable attributable to parent interest on dilution | 3,979,914               | 3,190,091   |
| Weighted average number of ordinary shares issued      | 24,503,122              | 24,503,122  |
| Basic earnings per share                               | 0.16 cents              | 0.13 cents  |
| Diluted earnings per share                             | 0.16 cents              | 0.13 cents  |

Earnings per ordinary share is based on the weighted average number of ordinary shares on issue during the year, and on the operating surplus after tax attributable to shareholders.

**8. SHARE CAPITAL**

|                                   | <b>GROUP AND PARENT</b> |                     |
|-----------------------------------|-------------------------|---------------------|
|                                   | <b>2009</b>             | <b>2008</b>         |
|                                   | <b>No of shares</b>     | <b>No of shares</b> |
| Share capital at 1 January 2009   | 24,503,122              | 24,503,122          |
| Transfers from shareholders       | (402,236)               | (828,028)           |
| Transfers to shareholders         | 402,236                 | 828,028             |
| Share capital at 31 December 2009 | <u>24,503,122</u>       | <u>24,503,122</u>   |

The authorised share capital of the company includes 24,503,122 (2008: 24,503,122) "A" investor shares. 97,786 \$1.00 (2008: 203,877 \$1.00) shares are not paid up. For further details refer to note 26. The shareholding in the company is divided into two classes Transactor and Investor Shares. Transactor shares are classified as term liabilities, see further detail in note 18.

**Investor Shares**

Investor shares are issued under the Companies Act 1993 and are tradable. Investor shares carry 40% of the voting power of all shares on issue, and carry the right to participate in any annual dividends declared by the directors of the company. Investor shares can participate in any surplus assets upon liquidation after the holders of Transactor shares have been paid out. there have been no changes to the terms and rights of the shares during the year.

**9. RESERVES**

**Fair Value Reserve**

|                             | <b>GROUP</b>  |               | <b>PARENT</b> |               |
|-----------------------------|---------------|---------------|---------------|---------------|
|                             | <b>2009</b>   | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
|                             | <b>\$</b>     | <b>\$</b>     | <b>\$</b>     | <b>\$</b>     |
| Balance at 1 January 2009   | 54,965        | -             | 54,965        | -             |
| Movement during the year    | <u>36,051</u> | <u>54,965</u> | <u>36,051</u> | <u>54,965</u> |
| Balance at 31 December 2009 | <u>91,016</u> | <u>54,965</u> | <u>91,016</u> | <u>54,965</u> |

Fair value reserve relates to fair value adjustments of investments in listed companies classified as available for sale investments.

**Asset Revaluation Reserve**

|                             | <b>GROUP</b>      |                   | <b>PARENT</b>     |                   |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                             | <b>2009</b>       | <b>2008</b>       | <b>2009</b>       | <b>2008</b>       |
|                             | <b>\$</b>         | <b>\$</b>         | <b>\$</b>         | <b>\$</b>         |
| Balance at 1 January 2009   | 11,658,617        | 11,658,617        | 11,658,617        | 11,658,617        |
| Movement during the year    | 2,600,061         | -                 | 2,600,061         | -                 |
| Deferred tax on revaluation | <u>(593,783)</u>  | <u>-</u>          | <u>(593,783)</u>  | <u>-</u>          |
| Balance at 31 December 2009 | <u>13,664,895</u> | <u>11,658,617</u> | <u>13,664,895</u> | <u>11,658,617</u> |
| Total Reserves              | <u>13,755,911</u> | <u>11,713,582</u> | <u>13,755,911</u> | <u>11,713,582</u> |

Reflects increment in fixed asset valuation on land, buildings and plant performed in 2010. For more details refer to note 27.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**10. RETAINED EARNINGS**

|  | <b>GROUP</b>     |                  | <b>PARENT</b>    |                  |
|--|------------------|------------------|------------------|------------------|
|  | <b>2009</b>      | <b>2008</b>      | <b>2009</b>      | <b>2008</b>      |
|  | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| Retained earnings at 1 January 2009      | 5,286,087        | 3,993,788        | 4,124,600        | 3,205,571        |
| Net surplus attributable to shareholders | 3,976,197        | 3,190,091        | 3,886,960        | 2,816,821        |
| Reversal of previously accounted         |                  |                  |                  |                  |
| Associate earnings                       | (26,288)         | -                | -                | -                |
| Distribution to owners                   | (2,358,977)      | (1,897,792)      | (2,358,977)      | (1,897,792)      |
| Balance as at 31 December 2009           | <u>6,877,019</u> | <u>5,286,087</u> | <u>5,652,583</u> | <u>4,124,600</u> |

In prior year associate accounted earnings of \$26,288 were recognised on share of Southlink Supply Limited. During 2009 EastPack Limited increased its shareholding to 80% and has accounted for Southlink Supply Limited as a subsidiary for the period ended 31 December 2009 and is included in net surplus attributable to shareholders and net assets (refer to associates note 29 and investments in subsidiaries note 28 for further details).

**11. MINORITY INTEREST**

|   | <b>GROUP</b>  |             | <b>PARENT</b> |             |
|---|---------------|-------------|---------------|-------------|
|   | <b>2009</b>   | <b>2008</b> | <b>2009</b>   | <b>2008</b> |
|   | <b>\$</b>     | <b>\$</b>   | <b>\$</b>     | <b>\$</b>   |
| Retained earnings at 1 January 2009                   | -             | -           | -             | -           |
| Interests acquired during year                        | 20,000        | -           | -             | -           |
| Net surplus attributable to minority interest holders | <u>3,717</u>  | <u>-</u>    | <u>-</u>      | <u>-</u>    |
| Balance as at 31 December 2009                        | <u>23,717</u> | <u>-</u>    | <u>-</u>      | <u>-</u>    |

**12. DISTRIBUTIONS TO OWNERS**

|                                    | <b>GROUP</b>     |                  | <b>PARENT</b>    |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | <b>2009</b>      | <b>2008</b>      | <b>2009</b>      | <b>2008</b>      |
|                                    | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| <b>Dividends</b>                   |                  |                  |                  |                  |
| Dividends paid:                    |                  |                  |                  |                  |
| Investor shares - dividend paid    | 1,224,433        | 984,898          | 1,224,433        | 984,898          |
| Investor shares - dividend payable | <u>1,134,544</u> | <u>912,895</u>   | <u>1,134,544</u> | <u>912,895</u>   |
| Total dividends                    | <u>2,358,977</u> | <u>1,897,793</u> | <u>2,358,977</u> | <u>1,897,793</u> |

Dividends paid on investor shares amounted to \$0.07 cents per share (2008: \$0.06 cents per share). Dividends payable amounted to \$0.07 cents per share (2008: \$0.06).

**13. ACCOUNTS PAYABLE**

|                               | <b>GROUP</b>     |                  | <b>PARENT</b>    |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | <b>2009</b>      | <b>2008</b>      | <b>2009</b>      | <b>2008</b>      |
|                               | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        |
| Trade creditors               | 2,384,630        | 2,771,922        | 2,027,819        | 2,787,593        |
| Sundry creditors and accruals | 1,750,273        | 2,543,606        | 1,768,161        | 2,362,910        |
| Associate payables            | 91,326           | 78,898           | 87,818           | 78,898           |
| Related party payables        | <u>2,399,002</u> | <u>1,506,244</u> | <u>2,399,002</u> | <u>1,427,346</u> |
|                               | <u>6,625,231</u> | <u>6,900,670</u> | <u>6,282,800</u> | <u>6,656,747</u> |

Included in prior year sundry accruals is \$110,000 relating to EastPack Limited's exposure to a bank facility guarantee of its equity accounted associate Jet Stick Limited. This was paid during the 2009 financial year.

|             |                |                |                |                |
|-------------|----------------|----------------|----------------|----------------|
| GST payable | <u>315,527</u> | <u>194,985</u> | <u>315,243</u> | <u>166,366</u> |
|-------------|----------------|----------------|----------------|----------------|

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**14. EMPLOYEE ENTITLEMENTS**

|                             | GROUP          |                | PARENT         |                |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | 2009           | 2008           | 2009           | 2008           |
|                             | \$             | \$             | \$             | \$             |
| Balance at 1 January 2009   | 263,669        | 179,887        | 263,669        | 179,887        |
| Additional provision        | 655,248        | 371,503        | 644,698        | 371,503        |
| Amount utilised             | (629,124)      | (287,721)      | (629,124)      | (287,721)      |
| Balance at 31 December 2009 | <u>289,793</u> | <u>263,669</u> | <u>279,243</u> | <u>263,669</u> |
| This is represented by:     |                |                |                |                |
| Current liability           | <u>289,793</u> | <u>263,669</u> | <u>279,243</u> | <u>263,669</u> |
|                             | <u>289,793</u> | <u>263,669</u> | <u>279,243</u> | <u>263,669</u> |

All are short-term employee benefits.

**15. PROVISION FOR DIVIDEND**

|                               | GROUP                 |                | PARENT           |                |
|-------------------------------|-----------------------|----------------|------------------|----------------|
|                               | 2009                  | 2008           | 2009             | 2008           |
|                               | \$                    | \$             | \$               | \$             |
| Balance at 1 January 2009     | 912,895               | -              | 912,895          | -              |
| Dividend paid during the year | (912,895)             | -              | (912,895)        | -              |
| Additional provision          | <u>1,134,544</u>      | <u>912,895</u> | <u>1,134,544</u> | <u>912,895</u> |
| Balance at 31 December 2009   | (12) <u>1,134,544</u> | <u>912,895</u> | <u>1,134,544</u> | <u>912,895</u> |

A dividend of \$0.07 per investor share was declared on 21 December 2009 (2008: dividend of \$0.06 per investor share was declared on 17 December 2008).

**16. FINANCIAL INSTRUMENTS**

**Credit Risk**

To the extent that the EastPack Group has a receivable from another party, there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject the group to credit risk principally consist of bank balances, accounts receivable and financial guarantees.

The group manages its exposure to credit risk to minimise losses from bad debts. The group performs credit evaluations on all customers requiring credit and generally does not require collateral. The group monitors the credit quality of major financial institutions that are counter parties to its financial instruments, and does not anticipate non-performance by the counter parties.

Maximum exposures to credit risk at balance date are:

|                           | GROUP     |           | PARENT    |           |
|---------------------------|-----------|-----------|-----------|-----------|
|                           | 2009      | 2008      | 2009      | 2008      |
|                           | \$        | \$        | \$        | \$        |
| Cash and cash equivalents | 640,709   | 1,998,096 | 271,341   | 1,939,521 |
| Accounts receivable       | 2,091,885 | 2,087,985 | 1,445,528 | 639,973   |
| Intercompany advances     | -         | -         | 1,427,834 | 1,452,834 |
| Leased orchards           | 1,368,448 | 618,952   | -         | -         |
| Uncalled capital          | 97,786    | 203,877   | 97,786    | 203,877   |

The above maximum exposures are net of any recognised impairment losses on these financial instruments. No collateral is held on the above amounts.

**Concentrations of Credit Risk**

The group's largest customer accounts for 95% (2008: 95%) of total sales and 11% (2008: 74%) of trade receivables at balance date. 100% of the group's balance date cash was with one bank. The group does not have any other concentrations of credit risk.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

*Status of trade receivables*

The status of trade receivables at the reporting date is as follows:

| Group                      | 2009        |                  | 2008        |                  |
|----------------------------|-------------|------------------|-------------|------------------|
|                            | Gross<br>\$ | Impairment<br>\$ | Gross<br>\$ | Impairment<br>\$ |
| Not yet due                | 365,873     | -                | 714,848     | -                |
| Overdue 0 -31 days         | 308,243     | -                | 204,170     | -                |
| Overdue 31 - 92 days       | 26,145      | -                | 22,633      | -                |
| Overdue 93 - 184 days      | 342,743     | 74,270           | 207,425     | -                |
| Overdue more than 184 days | -           | -                | -           | -                |
| Total trade receivables    | 1,043,004   | 74,270           | 1,149,076   | -                |

| Parent                     | 2009        |                  | 2008        |                  |
|----------------------------|-------------|------------------|-------------|------------------|
|                            | Gross<br>\$ | Impairment<br>\$ | Gross<br>\$ | Impairment<br>\$ |
| Not yet due                | 8,961       | -                | 104,137     | -                |
| Overdue 0 -31 days         | 14,733      | -                | 13,327      | -                |
| Overdue 31 - 92 days       | 21,611      | -                | 1,092       | -                |
| Overdue 93 - 184 days      | 245,824     | 74,270           | 87,815      | -                |
| Overdue more than 184 days | -           | -                | -           | -                |
| Total trade receivables    | 291,129     | 74,270           | 206,371     | -                |

EastPack have provided for specific balances where recovery of the amount is unlikely. There is considered to be no other impairment of trade receivables at the reporting date, accordingly no impairment allowance has been recorded (2008: \$Nil). EastPack generally have the ability to withhold either rebates or dividends from balances owing to growers and transacting shareholders. Non-recovery of non-provided balances is low. Management actively manage other debtor balances and recovery of amounts.

**Liquidity Risk**

Liquidity risk represents the EastPack Group's ability to meet its financial obligations on time. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

| Group                  | Balance Sheet<br>\$ | Contractual<br>cash flows<br>\$ | 6 months<br>or less<br>\$ | 2009              |                 |                |                            |
|------------------------|---------------------|---------------------------------|---------------------------|-------------------|-----------------|----------------|----------------------------|
|                        |                     |                                 |                           | 6-12 months<br>\$ | 1-2 years<br>\$ | 2-5years<br>\$ | More than<br>5 years<br>\$ |
| National Bank          | 21,670,000          | 13,118,377                      | 521,130                   | 12,148,820        | 448,427         | 10,461,000     | -                          |
| Accounts payable       | 6,625,231           | 6,625,231                       | 6,625,231                 | -                 | -               | -              | -                          |
| Provision for dividend | 1,134,544           | 1,134,544                       | 1,134,544                 | -                 | -               | -              | -                          |
|                        | 29,429,775          | 20,878,152                      | 8,280,905                 | 12,148,820        | 448,427         | 10,461,000     | -                          |

| Group                  | Balance Sheet<br>\$ | Contractual<br>cash flows<br>\$ | 6 months<br>or less<br>\$ | 2008              |                 |                |                            |
|------------------------|---------------------|---------------------------------|---------------------------|-------------------|-----------------|----------------|----------------------------|
|                        |                     |                                 |                           | 6-12 months<br>\$ | 1-2 years<br>\$ | 2-5years<br>\$ | More than<br>5 years<br>\$ |
| National Bank          | 18,200,000          | 18,200,000                      | -                         | -                 | -               | -              | 18,200,000                 |
| Accounts payable       | 6,900,670           | 6,900,670                       | 6,900,670                 | -                 | -               | -              | -                          |
| Provision for dividend | 912,895             | 912,895                         | 912,895                   | -                 | -               | -              | -                          |
|                        | 26,013,565          | 26,013,565                      | 7,813,565                 | -                 | -               | -              | 18,200,000                 |



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

| Parent                 | Balance Sheet | Contractual cash flows | 6 months or less | 2009        |           |            |                   |
|------------------------|---------------|------------------------|------------------|-------------|-----------|------------|-------------------|
|                        |               |                        |                  | 6-12 months | 1-2 years | 2-5 years  | More than 5 years |
|                        | \$            | \$                     | \$               | \$          | \$        | \$         | \$                |
| National Bank          | 21,670,000    | 13,118,377             | 521,130          | 12,148,820  | 448,427   | 10,461,000 | -                 |
| Accounts payable       | 6,282,800     | 6,282,800              | 6,282,800        | -           | -         | -          | -                 |
| Provision for dividend | 1,134,544     | 1,134,544              | 1,134,544        | -           | -         | -          | -                 |
|                        | 29,087,344    | 20,535,721             | 7,938,474        | 12,148,820  | 448,427   | 10,461,000 | -                 |

| Parent                 | Balance Sheet | Contractual cash flows | 6 months or less | 2008        |           |           |                   |
|------------------------|---------------|------------------------|------------------|-------------|-----------|-----------|-------------------|
|                        |               |                        |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|                        | \$            | \$                     | \$               | \$          | \$        | \$        | \$                |
| National Bank          | 18,200,000    | 18,200,000             | -                | -           | -         | -         | 18,200,000        |
| Accounts payable       | 6,656,747     | 6,656,747              | 6,656,747        | -           | -         | -         | -                 |
| Provision for dividend | 912,895       | 912,895                | 912,895          | -           | -         | -         | -                 |
|                        | 25,769,642    | 25,769,642             | 7,569,642        | -           | -         | -         | 18,200,000        |

**Currency Risk**

The EastPack Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies. The group has few transactions in foreign currencies, as they generally arise from the purchase of property, plant and equipment. The group's normal trading activities are conducted in New Zealand dollars. The group uses foreign currency forward exchange contracts to manage these exposures.

At reporting date the group's risk of exchange rate movements in receivables and payables was \$nil. There were no forward contracts in place for forecast purchases (2008: \$Nil).

**Interest Rate risk**

The group has exposure to interest rate risk to the extent that it borrows or invests for a fixed term at fixed rates. The group manages its cost of borrowing by placing limits on the proportion of borrowings at floating rate, and the proportion of fixed rate borrowing that is repriced in any year. The Group uses interest rate swaps to manage its interest rate risk. At reporting date the principal amounts of interest rate contracts outstanding was \$Nil (2008: \$5,000,000).

*Interest rate risk - repricing analysis:*

The following table identifies the periods in which financial instruments that are subject to interest rate risk reprice. All interest rates are maturing in March 2009.

| Group         | Effective interest rate | Total      | 6 months or less | 2009        |           |           |                   |
|---------------|-------------------------|------------|------------------|-------------|-----------|-----------|-------------------|
|               |                         |            |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|               | %                       | \$         | \$               | \$          | \$        | \$        | \$                |
| National Bank | 4.70                    | 21,670,000 | 21,670,000       | -           | -         | -         | -                 |

| Group         | Effective interest rate | Total      | 6 months or less | 2008        |           |           |                   |
|---------------|-------------------------|------------|------------------|-------------|-----------|-----------|-------------------|
|               |                         |            |                  | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|               | %                       | \$         | \$               | \$          | \$        | \$        | \$                |
| National Bank | 6.39                    | 22,200,000 | 22,200,000       | -           | -         | -         | -                 |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

| Parent        | 2009                    |            |                  |             |           |           |                   |
|---------------|-------------------------|------------|------------------|-------------|-----------|-----------|-------------------|
|               | Effective interest rate | Total      | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|               | %                       | \$         | \$               | \$          | \$        | \$        | \$                |
| National Bank | 4.70                    | 21,670,000 | 21,670,000       | -           | -         | -         | -                 |

| Parent        | 2008                    |            |                  |             |           |           |                   |
|---------------|-------------------------|------------|------------------|-------------|-----------|-----------|-------------------|
|               | Effective interest rate | Total      | 6 months or less | 6-12 months | 1-2 years | 2-5 years | More than 5 years |
|               | %                       | \$         | \$               | \$          | \$        | \$        | \$                |
| National Bank | 6.39                    | 22,200,000 | 22,200,000       | -           | -         | -         | -                 |

*Interest rate risk - sensitivity analysis:*

EastPack are exposed to interest rate risk relating to National Bank borrowings. A 1% change in rates would affect after tax profit and equity by +/- \$216,700 (2008: 222,000).

**Market Risk**

The company has a leased orchard asset representing prepaid orchard expenses which are carried forward to match against revenue anticipated for the 2010 season. This asset represents a risk to the extent that revenue from the 2010 crop does not exceed costs incurred at 31 December 2009. The leased orchard asset is \$1,368,448 (2008: \$618,952).

**Fair values**

The estimated fair values of financial instruments in the Statement of Financial Position are their carrying value with the exceptions as noted below. Fair value has been estimated using discounted cash flows.

*Shares in Unlisted Companies and Financial Guarantees*

It is not practicable to estimate the fair value of shares in unlisted companies and financial guarantees with an acceptable level of reliability. The financial guarantee is provided to a related party, therefore are not at arm's length and therefore not comparable with any market-based arrangements.

**Financial instruments by classification**

| Group                                   | Assets at FV Through P&L | Assets at Amortised Cost | Loans and Receivables | Liabilities at FV | Liabilities at Amortised Cost | Total Carrying Value |
|---|--------------------------|--------------------------|-----------------------|-------------------|-------------------------------|----------------------|
|   | \$                       | \$                       | \$                    | \$                | \$                            | \$                   |
| <b>31 December 2008</b>                 |                          |                          |                       |                   |                               |                      |
| <i>Liabilities as per balance sheet</i> |                          |                          |                       |                   |                               |                      |
| Loans and borrowings                    | -                        | -                        | -                     | -                 | 22,200,000                    | 22,200,000           |
| Transactor shares                       | -                        | -                        | 3,182                 | -                 | 9,828,800                     | 9,831,982            |
| Trade and other payables                | -                        | -                        | -                     | -                 | 6,705,685                     | 6,705,685            |
| Derivatives                             | -                        | -                        | -                     | 90,228            | -                             | 90,228               |
| <b>Total</b>                            | -                        | -                        | -                     | 90,228            | 38,734,485                    | 38,827,895           |
| <i>Assets as per balance sheet</i>      |                          |                          |                       |                   |                               |                      |
| Cash and cash equivalents               | -                        | -                        | 1,998,096             | -                 | -                             | 1,998,096            |
| Trade and other receivables             | -                        | -                        | 2,087,985             | -                 | -                             | 2,087,985            |
| Leased orchards                         | -                        | -                        | 618,952               | -                 | -                             | 618,952              |
| Unpaid capital                          | -                        | -                        | 203,877               | -                 | -                             | 203,877              |
| Investments                             | 785,044                  | 170,022                  | -                     | -                 | -                             | 955,066              |
| <b>Total</b>                            | 785,044                  | 170,022                  | 4,908,910             | -                 | -                             | 5,863,976            |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

**31 December 2009**

*Liabilities as per balance sheet*

|                          |          |          |          |          |                   |                   |
|--------------------------|----------|----------|----------|----------|-------------------|-------------------|
| Loans and borrowings     | -        | -        | -        | -        | 21,670,000        | 21,670,000        |
| Transactor shares        | -        | -        | -        | -        | 11,114,040        | 11,114,040        |
| Trade and other payables | -        | -        | -        | -        | 6,309,704         | 6,309,704         |
| Derivatives              | -        | -        | -        | -        | -                 | -                 |
| <b>Total</b>             | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,093,744</u> | <u>39,093,744</u> |

*Assets as per balance sheet*

|                             |                |                |                  |          |          |                  |
|-----------------------------|----------------|----------------|------------------|----------|----------|------------------|
| Cash and cash equivalents   | -              | -              | 640,709          | -        | -        | 640,709          |
| Trade and other receivables | -              | -              | 2,091,885        | -        | -        | 2,091,885        |
| Leased orchards             | -              | -              | 1,368,448        | -        | -        | 1,368,448        |
| Unpaid capital              | -              | -              | 97,786           | -        | -        | 97,786           |
| Investments                 | 786,095        | 137,231        | -                | -        | -        | 923,326          |
| <b>Total</b>                | <u>786,095</u> | <u>137,231</u> | <u>2,732,594</u> | <u>-</u> | <u>-</u> | <u>3,655,920</u> |

**Parent**

|  | Assets at<br>FV Through<br>P&L | Assets at<br>Amortised<br>Cost | Loans and<br>Receivables | Liabilities at<br>FV | Liabilities at<br>Amortised<br>Cost | Total<br>Carrying<br>Value |
|--|--------------------------------|--------------------------------|--------------------------|----------------------|-------------------------------------|----------------------------|
|  | \$                             | \$                             | \$                       | \$                   | \$                                  | \$                         |

**31 December 2008**

*Liabilities as per balance sheet*

|                          |          |          |          |          |                   |                   |
|--------------------------|----------|----------|----------|----------|-------------------|-------------------|
| Loans and borrowings     | -        | -        | -        | -        | 22,200,000        | 22,200,000        |
| Transactor shares        | -        | -        | -        | -        | 9,828,800         | 9,828,800         |
| Trade and other payables | -        | -        | -        | -        | 6,490,381         | 6,490,381         |
| <b>Total</b>             | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>38,519,181</u> | <u>38,519,181</u> |

*Assets as per balance sheet*

|                             |                |          |                  |          |          |                  |
|-----------------------------|----------------|----------|------------------|----------|----------|------------------|
| Cash and cash equivalents   | -              | -        | 1,939,521        | -        | -        | 1,939,521        |
| Trade and other receivables | -              | -        | 639,973          | -        | -        | 639,973          |
| Unpaid capital              | -              | -        | 203,877          | -        | -        | 203,877          |
| Investments                 | 785,044        | -        | -                | -        | -        | 785,044          |
| <b>Total</b>                | <u>785,044</u> | <u>-</u> | <u>2,783,371</u> | <u>-</u> | <u>-</u> | <u>3,568,415</u> |

**31 December 2009**

*Liabilities as per balance sheet*

|                          |          |          |          |          |                   |                   |
|--------------------------|----------|----------|----------|----------|-------------------|-------------------|
| Loans and borrowings     | -        | -        | -        | -        | 21,670,000        | 21,670,000        |
| Transactor shares        | -        | -        | -        | -        | 11,114,040        | 11,114,040        |
| Trade and other payables | -        | -        | -        | -        | 5,967,557         | 5,967,557         |
| <b>Total</b>             | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>38,751,597</u> | <u>38,751,597</u> |

*Assets as per balance sheet*

|                           |                |          |                  |          |          |                  |
|---------------------------|----------------|----------|------------------|----------|----------|------------------|
| Cash and cash equivalents | -              | -        | 271,341          | -        | -        | 271,341          |
| Accounts receivable       | -              | -        | 1,445,528        | -        | -        | 1,445,528        |
| Unpaid capital            | -              | -        | 97,786           | -        | -        | 97,786           |
| Investments               | 786,095        | -        | -                | -        | -        | 786,095          |
| <b>Total</b>              | <u>786,095</u> | <u>-</u> | <u>1,814,655</u> | <u>-</u> | <u>-</u> | <u>2,600,750</u> |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**17. CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns to growers, shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and maximise returns. Capital in relation to capital management also includes transactor shares.

In order to maintain or adjust the capital structure, the Group may adjust distributions to beneficiaries, amount of dividends paid to shareholders, return capital to shareholders, issue new shares, amend capital spending plans or sell assets to reduce debt.

The Shareholders have appointed the Directors to manage the co-operative in order to maximise returns. The Directors, consistent with others in the Kiwifruit industry, monitor and manage capital based on trays supplied and returns to growers and investors.

There have been no material changes to the Group's capital during the year.

**18. TRANSACTOR SHARES**

|  |                      |                      | <b>GROUP AND PARENT</b> |                  |
|--|----------------------|----------------------|-------------------------|------------------|
|  | <b>No. of Shares</b> | <b>No. of Shares</b> | <b>2009</b>             | <b>2008</b>      |
|  |                      |                      | <b>\$</b>               | <b>\$</b>        |
| Transactor shares at 1 January 2009      | 9,828,800            | 9,169,590            | 9,828,800               | 9,169,590        |
| Transactor shares issued during the year | 1,467,518            | 1,206,584            | 1,467,518               | 1,206,584        |
| Sales during the year                    | (182,278)            | (547,374)            | (182,278)               | (547,374)        |
| Transactor shares at 31 December 2009    | <u>11,114,040</u>    | <u>9,828,800</u>     | <u>11,114,040</u>       | <u>9,828,800</u> |

The company has 11,114,052 (2008: 9,828,800) "A" ordinary Transactor shares on issue. The Transactor shares are classified as a liability rather than equity under NZ IFRS due to their redemption rights. Transactor Shares are issued by the company to growers of kiwifruit or other approved produce. They are not freely tradable, and carry 60% of the voting power of all shares on issue. Transactor shareholders have the right to participate in any annual rebate declared by the directors of the company. They carry first right of redemption on liquidation of the company at \$1.00 each. Carrying value of transactor shares is equivalent to fair value, due to the fixed redemption value and market returns paid by way of rebate.

**19. INCOME IN ADVANCE**

|  | <b>GROUP AND PARENT</b> |                |
|--|-------------------------|----------------|
|  | <b>2009</b>             | <b>2008</b>    |
|  | <b>\$</b>               | <b>\$</b>      |
| Balance at 1 January 2009                      | 882,230                 | 1,229,167      |
| Recognised in profit or loss during the period | (250,000)               | (250,000)      |
| Fair value adjustment                          | -                       | (96,937)       |
| Balance at 31 December 2009                    | <u>632,230</u>          | <u>882,230</u> |
| Current Portion                                | 250,000                 | 250,000        |
| Term Portion                                   | <u>382,230</u>          | <u>632,230</u> |
| Total  | <u>632,230</u>          | <u>882,230</u> |

This represents income received in advance, which is recorded over the life of the relevant service contract. The term portion has been reduced to reflect the net present value of future receivables.



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**20. BORROWINGS**

|                           | <b>GROUP</b>      |                   | <b>PARENT</b>     |                   |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
|                           | <b>2009</b>       | <b>2008</b>       | <b>2009</b>       | <b>2008</b>       |
|                           | <b>\$</b>         | <b>\$</b>         | <b>\$</b>         | <b>\$</b>         |
| Bank loans (secured)      | 10,200,000        | 18,200,000        | 10,200,000        | 18,200,000        |
| Current Portion (secured) | 11,470,000        | 4,000,000         | 11,470,000        | 4,000,000         |
|                           | <u>21,670,000</u> | <u>22,200,000</u> | <u>21,670,000</u> | <u>22,200,000</u> |

The current portion represents term loans which have a maturity date of less than twelve months from balance date. EastPack's total facility with National Bank of New Zealand limit is \$38.265 million including \$34.5 million of term funding subject to annual review. The current interest rates on the secured bank loans range from 4.77% to 4.85% (2008: 6.38% to 6.57%). Borrowings are interest only.

**Security - Parent and Group**

Loans are secured by a debenture over the companies assets, specific security agreement over all grader equipment and mortgage over all land and buildings.

**21. DERIVATIVES**

|                    | <b>GROUP</b> |             | <b>PARENT</b> |             |
|--------------------|--------------|-------------|---------------|-------------|
|                    | <b>2009</b>  | <b>2008</b> | <b>2009</b>   | <b>2008</b> |
|                    | <b>\$</b>    | <b>\$</b>   | <b>\$</b>     | <b>\$</b>   |
| Interest rate swap | -            | 90,228      | -             | 90,228      |

There are no interest rate swaps as at balance date. (2008: Interest rate swap is on bank term debt of \$5,000,000 principal. The swap rate was 8.34% and matured on June 2009. The derivative value reflected the balance date mark-to-market valuation to contracted maturity date).

**22. CASH AND CASH EQUIVALENTS**

|                | <b>GROUP</b>   |                  | <b>PARENT</b>  |                  |
|----------------|----------------|------------------|----------------|------------------|
|                | <b>2009</b>    | <b>2008</b>      | <b>2009</b>    | <b>2008</b>      |
|                | <b>\$</b>      | <b>\$</b>        | <b>\$</b>      | <b>\$</b>        |
| National Bank  | 639,913        | 1,914,359        | 270,545        | 1,855,784        |
| Other Accounts | 796            | 83,737           | 796            | 83,737           |
|                | <u>640,709</u> | <u>1,998,096</u> | <u>271,341</u> | <u>1,939,521</u> |

**23. ACCOUNTS RECEIVABLE**

|                         | <b>GROUP</b>     |                  | <b>PARENT</b>    |                |
|-------------------------|------------------|------------------|------------------|----------------|
|                         | <b>2009</b>      | <b>2008</b>      | <b>2009</b>      | <b>2008</b>    |
|                         | <b>\$</b>        | <b>\$</b>        | <b>\$</b>        | <b>\$</b>      |
| Trade receivables       | 968,734          | 1,149,076        | 216,859          | 206,371        |
| Sundry receivables      | 1,094,205        | 676,033          | 1,195,974        | 170,726        |
| Related parties advance | -                | 8,757            | 3,749            | 8,757          |
| Associate receivables   | 28,946           | 254,119          | 28,946           | 254,119        |
|                         | <u>2,091,885</u> | <u>2,087,985</u> | <u>1,445,528</u> | <u>639,973</u> |

**24. LEASED ORCHARDS**

|                               | <b>GROUP</b>     |                | <b>PARENT</b> |             |
|-------------------------------|------------------|----------------|---------------|-------------|
|                               | <b>2009</b>      | <b>2008</b>    | <b>2009</b>   | <b>2008</b> |
|                               | <b>\$</b>        | <b>\$</b>      | <b>\$</b>     | <b>\$</b>   |
| Balance at 1 January 2009     | 618,952          | 729,016        | -             | -           |
| Costs capitalised             | 1,368,448        | 618,952        | -             | -           |
| Utilisation in current season | (618,952)        | (729,016)      | -             | -           |
| Balance at 31 December 2009   | <u>1,368,448</u> | <u>618,952</u> | <u>-</u>      | <u>-</u>    |

Costs are capitalised as expensed are incurred preparing the orchards for the next season. The costs are recognised against revenue in the financial year to which they relate. No costs are incurred for a period of more than one season.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**25. INVENTORY**

|           | GROUP            |                  | PARENT           |                  |
|-----------|------------------|------------------|------------------|------------------|
|           | 2009             | 2008             | 2009             | 2008             |
|           | \$               | \$               | \$               | \$               |
| Packaging | <u>2,235,749</u> | <u>2,344,990</u> | <u>2,200,131</u> | <u>2,313,095</u> |

Inventory is subject to retention of title clauses.

**26. UNPAID CAPITAL**

|   | GROUP AND PARENT |                |
|---|------------------|----------------|
|   | 2009             | 2008           |
|   | \$               | \$             |
| 97,786 shares @\$1.00 (2008: 203,877 shares \$1.00) | <u>97,786</u>    | <u>203,877</u> |
| Current Asset                                       | 32,760           | 27,500         |
| Non Current Asset                                   | <u>65,026</u>    | <u>176,377</u> |
|   | <u>97,786</u>    | <u>203,877</u> |
| Opening balance                                     | 203,877          | 366,433        |
| Shares sold   | -                | (135,945)      |
| Ex dividend   | (106,091)        | (2,604)        |
| Rebate withheld                                     | -                | (24,007)       |
| Closing balance                                     | <u>97,786</u>    | <u>203,877</u> |

Where the company has issued shares and payment has not been made in full, there is a deferred settlement over a set period of time. Payment for calls on shares is then deducted from rebates and dividends payable to those shareholders.

The current portion of unpaid capital is based on each shareholder's estimated number of trays for the 2010 season.

**27. PROPERTY, PLANT AND EQUIPMENT**

|  | GROUP              |                             |                    | PARENT             |                             |                    |
|--|--------------------|-----------------------------|--------------------|--------------------|-----------------------------|--------------------|
|  | Cost/<br>Valuation | Accumulated<br>Depreciation | 2009<br>Book Value | Cost/<br>Valuation | Accumulated<br>Depreciation | 2009<br>Book Value |
|  | \$                 | \$                          | \$                 | \$                 | \$                          | \$                 |
| Buildings (at valuation)                           | 46,780,539         | 7,521,517                   | 39,259,022         | 46,780,539         | 7,521,517                   | 39,259,023         |
| Furniture & Fittings                               | 260,736            | 97,097                      | 163,639            | 260,736            | 97,097                      | 163,639            |
| Plant (at valuation) &<br>Motor Vehicles (at cost) | 30,430,962         | 14,702,666                  | 15,728,296         | 30,368,358         | 14,662,368                  | 15,705,990         |
| Land & Improvements<br>(at valuation)              | <u>11,989,667</u>  | <u>218,348</u>              | <u>11,771,319</u>  | <u>11,989,667</u>  | <u>218,348</u>              | <u>11,771,319</u>  |
|  | <u>89,461,904</u>  | <u>22,539,628</u>           | <u>66,922,276</u>  | <u>89,399,300</u>  | <u>22,499,330</u>           | <u>66,899,971</u>  |

|                                       | GROUP              |                             |                    | PARENT             |                             |                    |
|---------------------------------------|--------------------|-----------------------------|--------------------|--------------------|-----------------------------|--------------------|
|                                       | Cost/<br>Valuation | Accumulated<br>Depreciation | 2008<br>Book Value | Cost/<br>Valuation | Accumulated<br>Depreciation | 2008<br>Book Value |
|                                       | \$                 | \$                          | \$                 | \$                 | \$                          | \$                 |
| Buildings (at valuation)              | 40,878,247         | 5,756,705                   | 35,121,542         | 40,878,246         | 5,756,705                   | 35,121,542         |
| Furniture & Fittings                  | 266,767            | 148,615                     | 118,152            | 266,767            | 148,615                     | 118,152            |
| Plant &<br>Motor Vehicles (at cost)   | 28,451,654         | 13,429,862                  | 15,021,792         | 28,420,416         | 13,411,390                  | 15,009,026         |
| Land & Improvements<br>(at valuation) | <u>11,250,700</u>  | <u>166,414</u>              | <u>11,084,286</u>  | <u>11,250,700</u>  | <u>166,414</u>              | <u>11,084,286</u>  |
|                                       | <u>80,847,368</u>  | <u>19,501,596</u>           | <u>61,345,772</u>  | <u>80,816,129</u>  | <u>19,483,124</u>           | <u>61,333,006</u>  |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**27. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Valuation**

Land, land improvements, buildings, plant and machinery and chattels are valued in accordance with valuation reports of independent registered valuer's dated 15 February 2010. Revalued assets are valued on the basis of Replacement cost less depreciation and capitalisation of market rentals. The valuer also used the Investment approach and Sales comparison to ensure values are reasonable and supportable. The valuation was completed by an independent registered valuer, S Harris (SPINZ), of the firm: Property Solutions (BOP) Limited on 5 February 2010. The effective date of the valuation was 31 December 2009.

**Security**

Certain property, plant and equipment has been pledged as security over term loans. A specific security agreement exists over all grader equipment and mortgage over all land and buildings.

If land and buildings had been carried at cost less depreciation, the carrying amounts would have been:

|                     | <b>GROUP</b> |             | <b>PARENT</b> |             |
|---------------------|--------------|-------------|---------------|-------------|
|                     | <b>2009</b>  | <b>2008</b> | <b>2009</b>   | <b>2008</b> |
|                     | <b>\$</b>    | <b>\$</b>   | <b>\$</b>     | <b>\$</b>   |
| Land & Improvements | 6,411,049    | 6,383,880   | 6,411,049     | 6,383,880   |
| Buildings           | 28,620,201   | 25,516,347  | 28,620,201    | 25,516,347  |
| Plant and equipment | 14,128,902   | 13,558,702  | 14,106,596    | 13,545,936  |

**(a) Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

**Group**

|   | <b>Buildings</b>  | <b>Furniture &amp; Fittings</b> | <b>Plant and Motor Vehicles</b> | <b>Land</b>       | <b>Total</b>      |
|---|-------------------|---------------------------------|---------------------------------|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>                       | <b>\$</b>                       | <b>\$</b>         | <b>\$</b>         |
| <b>2009</b>                             |                   |                                 |                                 |                   |                   |
| Balance at 1 January 2009               | 35,121,542        | 118,152                         | 15,021,792                      | 11,084,286        | 61,345,772        |
| Additions                               | 4,497,751         | 82,623                          | 3,861,570                       | 82,408            | 8,524,352         |
| Disposals                               | (16,076)          | (12,197)                        | (605,372)                       | -                 | (633,645)         |
| Additions through acquisition of entity | -                 | -                               | 18,905                          | -                 | 18,905            |
| Revaluations                            | 1,423,770         | -                               | 494,241                         | 659,865           | 2,577,876         |
| Depreciation expense                    | (1,767,965)       | (24,939)                        | (3,040,656)                     | (55,239)          | (4,888,799)       |
| Impairment on revaluation               | -                 | -                               | (22,184)                        | -                 | (22,184)          |
| Carrying amount at 31 December 2009     | <u>39,259,022</u> | <u>163,639</u>                  | <u>15,728,296</u>               | <u>11,771,320</u> | <u>66,922,276</u> |
| <b>2008</b>                             |                   |                                 |                                 |                   |                   |
| Balance at 1 January 2008               | 33,747,849        | 110,151                         | 13,527,323                      | 10,860,554        | 58,245,877        |
| Additions                               | 2,885,465         | 28,012                          | 4,809,696                       | 279,069           | 8,002,242         |
| Disposals                               | -                 | -                               | (267,328)                       | -                 | (267,328)         |
| Depreciation expense                    | (1,511,772)       | (20,011)                        | (3,047,899)                     | (55,337)          | (4,635,019)       |
| Carrying amount at 31 December 2008     | <u>35,121,542</u> | <u>118,152</u>                  | <u>15,021,792</u>               | <u>11,084,286</u> | <u>61,345,772</u> |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**27. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| Parent                              | Buildings         | Furniture & Fittings | Plant & Motor Vehicles | Land              | Total             |
|-------------------------------------|-------------------|----------------------|------------------------|-------------------|-------------------|
|                                     | \$                | \$                   | \$                     | \$                | \$                |
| <b>2009</b>                         |                   |                      |                        |                   |                   |
| Balance at 1 January 2009           | 35,121,542        | 118,152              | 15,009,026             | 11,084,286        | 61,333,006        |
| Additions                           | 4,497,752         | 82,623               | 3,860,953              | 82,408            | 8,523,736         |
| Disposals                           | (16,076)          | (12,197)             | (605,372)              | -                 | (633,645)         |
| Revaluations                        | 1,423,770         | -                    | 494,241                | 659,865           | 2,577,876         |
| Depreciation expense                | (1,767,965)       | (24,939)             | (3,030,674)            | (55,239)          | (4,878,817)       |
| Impairment on revaluation           | -                 | -                    | (22,184)               | -                 | (22,184)          |
| Carrying amount at 31 December 2009 | <u>39,259,023</u> | <u>163,639</u>       | <u>15,705,990</u>      | <u>11,771,320</u> | <u>66,899,971</u> |
| <b>2008</b>                         |                   |                      |                        |                   |                   |
| Balance at 1 January 2008           | 33,747,849        | 110,151              | 13,517,708             | 10,860,554        | 58,236,262        |
| Additions                           | 2,885,465         | 28,012               | 4,805,116              | 279,069           | 7,997,662         |
| Disposals                           | -                 | -                    | (267,328)              | -                 | (267,328)         |
| Depreciation expense                | (1,511,772)       | (20,011)             | (3,046,470)            | (55,337)          | (4,633,590)       |
| Carrying amount at 31 December 2008 | <u>35,121,542</u> | <u>118,152</u>       | <u>15,009,026</u>      | <u>11,084,286</u> | <u>61,333,006</u> |

**28. INVESTMENTS IN SUBSIDIARIES**

|                                   | GROUP    |          | PARENT        |            |
|-----------------------------------|----------|----------|---------------|------------|
|                                   | 2009     | 2008     | 2009          | 2008       |
|                                   | \$       | \$       | \$            | \$         |
| Southlink Supply Limited          | -        | -        | 80,000        | -          |
| EastPack Kiwifruit Operations Ltd | -        | -        | 999           | 999        |
|                                   | <u>-</u> | <u>-</u> | <u>80,999</u> | <u>999</u> |

| Subsidiaries:                     | Percentage Held |       | Balance date | Incorporated in |
|-----------------------------------|-----------------|-------|--------------|-----------------|
|                                   | 2009            | 2008  |              |                 |
| EastPack Kiwifruit Operations Ltd | 100 %           | 100 % | 31 December  | New Zealand     |
| Southlink Supply Limited          | 80 %            | 50 %  | 28 February  | New Zealand     |

EastPack Kiwifruit Operations Ltd is a direct subsidiary of the Company. EastPack Kiwifruit Operations Ltd is involved in the management of leased orchards.

Southlink Supply Limited became a subsidiary as at 19 March 2009 by the purchase of 30,000 shares at \$1.00 per share. Southlink Supply Limited is involved as a transport agent within the Kiwifruit industry. EastPack provides the majority of Southlink Supply's product for transportation.

|  | \$            |
|--|---------------|
| Carrying value of the investment                       | 80,000        |
| Share of the fair value of the identifiable net assets | <u>80,000</u> |
| Goodwill on acquisition                                | <u>-</u>      |



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**29. INVESTMENTS IN ASSOCIATES**

|  | <b>GROUP</b> |             | <b>PARENT</b> |             |
|--|--------------|-------------|---------------|-------------|
|  | <b>2009</b>  | <b>2008</b> | <b>2009</b>   | <b>2008</b> |
|  | <b>\$</b>    | <b>\$</b>   | <b>\$</b>     | <b>\$</b>   |
| <b>Results of associates</b>                         |              |             |               |             |
| Share of operating surpluses / (deficits) before tax | 507,010      | 833,806     | -             | -           |
| Taxation   | (152,103)    | (148,938)   | -             | -           |
| Share of operating surpluses / (deficits)            | 354,907      | 684,868     | -             | -           |
| Other recognised surpluses / (deficits)              | 22,241       | -           | -             | -           |
| Share of total recognised revenues and expenses      | 377,148      | 684,868     | -             | -           |
| <b>Interests in associates</b>                       |              |             |               |             |
| Shares at cost                                       | 812,078      | 762,078     | 762,078       | 762,078     |
| Share of surpluses                                   | 711,273      | 581,453     | -             | -           |
| Balance at the beginning of year                     | 1,523,351    | 1,343,531   | 762,078       | 762,078     |
| New investments                                      | 30,000       | 50,000      | 30,000        | 50,000      |
| Disposals  | (129,621)    | -           | (80,000)      | -           |
| Impairment adjustment                                | -            | (26,668)    | -             | (26,668)    |
| Share of total recognised revenues and expenses      | 377,148      | 684,868     | -             | -           |
| Dividends/rebates                                    | (357,143)    | (528,380)   | -             | -           |
| Balance at end of year                               | 1,443,735    | 1,523,351   | 712,078       | 785,410     |
| Included in the carrying amount is:                  |              |             |               |             |
| Goodwill   | 502,924      | 502,924     | -             | -           |

**Details of Associates**

| <b>2009</b>              | <b>Assets</b> | <b>Liabilities</b> | <b>Revenue</b> | <b>Profit/ (loss)</b> | <b>% Held</b> | <b>Carrying Amount</b> |
|--------------------------|---------------|--------------------|----------------|-----------------------|---------------|------------------------|
| Southern Produce Limited | 5,616,623     | 3,410,296          | 15,556,150     | 1,014,019             | 50            | 1,443,735              |
| <b>2008</b>              | <b>Assets</b> | <b>Liabilities</b> | <b>Revenue</b> | <b>Profit/ (loss)</b> | <b>% Held</b> | <b>Carrying Amount</b> |
| Southlink Ltd            | 5,840         | -                  | 152,635        | 5,840                 | 25            | 23,333                 |
| Southlink Supply Ltd     | 1,166,752     | 579,157            | 4,335,615      | 496,960               | 50            | 76,288                 |
| Jetstick Ltd             | -             | -                  | -              | -                     | 20            | -                      |
| Southern Produce Limited | 4,211,164     | 2,015,893          | 10,949,348     | 781,452               | 50            | 1,423,730              |

| <b>Associates</b>        | <b>Principal Activities</b>     | <b>Balance Date</b> |
|--------------------------|---------------------------------|---------------------|
| Southlink Ltd            | Transporting agent              | 28 February         |
| Southlink Supply Limited | Transporting agent              | 28 February         |
| Jetstick Ltd             | Manufacture of labeling systems | 31 December         |
| Southern Produce Limited | Marketer of fresh produce       | 31 March            |

All associates are incorporated in New Zealand. There are no significant restrictions on the ability of any associate to pay dividends, repay loans or otherwise transfer funds to the investor company. Southlink Limited ceased trading in February 2008. In February 2009 Southlink Limited repaid the EastPack equity totalling \$26,333.

Southlink Supply Limited was incorporated in January 2008 and commenced trading March 2008. Southlink Supply Limited conducts the same business as Southlink Limited previously. EastPack contributed 50% of Southlink Supply Limited equity by cash payment. Southlink Supply Limited was accounted for as an associate in the prior year. During the year ended 31 December 2009, EastPack Ltd increased its shareholding to 80% by purchasing 30,000 \$1.00 shares from an existing shareholder thereby gaining control of Southlink Supply Ltd. Southlink Supply Ltd is accounted for as a subsidiary of EastPack Ltd in the 2009 financial year. Refer to note 28 for further details.

During the year EastPack surrendered its shares to the remaining shareholders in Jetstick Ltd for \$Nil per share. This was in consideration for the remaining shareholders taking up EastPack bank guarantee liability. The investment in Jetstick Ltd was impaired by \$26,668 to \$Nil, in the year ended 31 December 2008.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**30. INVESTMENTS**

|                              | <b>GROUP</b>   |                | <b>PARENT</b>  |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | <b>2009</b>    | <b>2008</b>    | <b>2009</b>    | <b>2008</b>    |
|                              | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      |
| Shares in unlisted companies | 683,666        | 683,673        | 546,435        | 776,151        |
| Shares in listed companies   | 239,660        | 271,393        | 239,660        | 8,893          |
|                              | <u>923,326</u> | <u>955,066</u> | <u>786,095</u> | <u>785,044</u> |

Investments in unlisted companies are stated at cost because fair value cannot be reliably measured. In all cases the shareholdings are stable, therefore there are no trades for which a value has been struck. All unlisted shares are held for the long term. Investments in listed companies are stated at fair value.

**31. INTANGIBLE ASSETS**

|                                | <b>GROUP</b> |               | <b>PARENT</b> |               |
|--------------------------------|--------------|---------------|---------------|---------------|
|                                | <b>2009</b>  | <b>2008</b>   | <b>2009</b>   | <b>2008</b>   |
|                                | <b>\$</b>    | <b>\$</b>     | <b>\$</b>     | <b>\$</b>     |
| <b>Trademarks</b>              |              |               |               |               |
| Carrying amount at 1 January   | 10,800       | 12,000        | 10,800        | 12,000        |
| Accumulated amortisation       | -            | (1,200)       | -             | (1,200)       |
| Accumulated impairment losses  | (10,800)     | -             | (10,800)      | -             |
| Carrying amount at 31 December | <u>-</u>     | <u>10,800</u> | <u>-</u>      | <u>10,800</u> |

Trademarks represent amounts paid externally for trademark license on internally generated brands. The licenses are for a finite period. Trademarks are amortised over managements expectation of their useful life being 10 years. Management assess at each balance date the carrying value and the expected future values embodied in the trademarks, for impairment. During the year EastPack Limited surrendered the trademark to Southern Produce Limited.

**32. RECONCILIATION OF NET SURPLUS WITH CASH INFLOW FROM OPERATING ACTIVITIES**

|   | <b>GROUP</b>       |                   | <b>PARENT</b>    |                   |
|---|--------------------|-------------------|------------------|-------------------|
|   | <b>2009</b>        | <b>2008</b>       | <b>2009</b>      | <b>2008</b>       |
|   | <b>\$</b>          | <b>\$</b>         | <b>\$</b>        | <b>\$</b>         |
| Net surplus after taxation                          | 3,979,914          | 3,190,091         | 3,886,960        | 2,816,821         |
| <u>Add (deduct) non-cash items</u>                  |                    |                   |                  |                   |
| Depreciation  | 4,959,185          | 4,635,019         | 4,949,206        | 4,633,594         |
| Loss on sale of property, plant and equipment       | 437,676            | 260,868           | 437,676          | 260,868           |
| Fair value adjustments                              | 82,641             | 88,960            | 82,641           | 88,960            |
| Amortisation  | -                  | 1,200             | -                | 1,200             |
| Impairment of intangibles                           | 10,800             | -                 | 10,800           | -                 |
| Equity accounted earnings - Associates              | (377,148)          | (684,868)         | -                | -                 |
| Movement in deferred tax                            | 92,450             | (214,015)         | (131,295)        | (159,126)         |
| Income in advance expired                           | (250,000)          | (250,000)         | (250,000)        | (250,000)         |
| <u>Deduct items credited directly to equity</u>     |                    |                   |                  |                   |
| Movement in deferred tax                            | 593,784            | -                 | 593,784          | -                 |
|   | <u>5,549,388</u>   | <u>3,837,164</u>  | <u>5,692,812</u> | <u>4,575,496</u>  |
| <u>Movement in Working Capital</u>                  |                    |                   |                  |                   |
| Increase/(decrease) in accounts payable             | (759,196)          | 3,189,556         | (373,947)        | 3,101,044         |
| Increase/(decrease) in employee entitlements        | (48,601)           | 83,782            | 15,574           | 83,782            |
| (Increase)/decrease in accounts receivable          | 75,848             | 286,175           | (870,092)        | 715,607           |
| (Increase)/decrease in GST                          | 150,795            | 93,699            | 148,877          | 36,785            |
| (Increase)/decrease in leased orchards              | (749,496)          | 110,064           | -                | -                 |
| (Increase)/decrease in inventory                    | 109,241            | (663,835)         | 112,964          | (671,934)         |
| Increase/(decrease) in income tax payable           | (202,620)          | 1,330,514         | (2,762)          | 1,403,591         |
|   | <u>(1,424,029)</u> | <u>4,429,955</u>  | <u>(969,386)</u> | <u>4,668,875</u>  |
| Net cash inflow/(outflow) from operating activities | <u>8,105,273</u>   | <u>11,457,210</u> | <u>8,610,386</u> | <u>12,061,192</u> |

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**33. TRANSACTIONS WITH RELATED PARTIES**

**Key Management Personnel**

Key management includes all personnel whom have the authority and responsibility for planning, directing and controlling the activities of the Group. This includes senior management and directors.

|      | Short-term<br>benefits | Post-employment<br>benefits | Other long-term<br>benefits | Termination<br>benefits |
|------|------------------------|-----------------------------|-----------------------------|-------------------------|
|      | \$                     | \$                          | \$                          | \$                      |
| 2009 | 1,581,544              | -                           | -                           | -                       |
| 2008 | 1,040,622              | -                           | -                           | -                       |

On termination key management personnel (grower directors) are entitled to receive dividends on shares held for a period of two years.

The grower directors have packed their kiwifruit with the company at the standard rates charged to shareholders. Grower directors received the following rebates and dividends:

|                            | Rebates |         | Dividends |         |
|----------------------------|---------|---------|-----------|---------|
|                            | 2009    | 2008    | 2009      | 2008    |
|                            | \$      | \$      | \$        | \$      |
| K M Clarke                 | N/A     | 9,536   | N/A       | 10,044  |
| G S Eynon and M Montgomery | 84,666  | 67,650  | 146,328   | 100,800 |
| R M Hudson                 | 16,681  | 15,904  | 14,000    | 9,644   |
| C G Overdeest              | N/A     | 24,809  | N/A       | 33,677  |
| A K Woolsey                | 57,111  | 44,195  | 75,931    | 52,306  |
| R B Sharp                  | 135,259 | 104,378 | 99,069    | 67,045  |
| A Gault                    | 35,317  | N/A     | 23,382    | N/A     |
| M McBride                  | 45,501  | N/A     | 45,709    | N/A     |
| G W Sommerville            | 39,419  | 30,483  | -         | -       |

R M Hudson, R B Sharp, G S Eynon and M J Montgomery own orchards for which the company provides services on normal commercial terms. Payments for services were as follows:

R M Hudson \$153 (2008: \$1,219). Balance outstanding at 31 December 2009 \$Nil (2008: \$Nil).

R B Sharp \$479 (2008: \$36,688). Balance outstanding at 31 December 2009 \$11,014 (2008: \$1,671).

G Eynon and M J Montgomery \$35,964 (2008: \$37,862). Balance outstanding at 31 December 2009 \$Nil (2008: \$25,377).

G S Eynon and M J Montgomery own a kiwifruit contracting business that provides labour to EastPack Kiwifruit Operations Ltd under normal commercial terms. Payments made during the year were \$298,950 excl GST for contracting (2008: \$247,949 contracting). G S Eynon and M J Montgomery own an orchard, Pine Valley Middle Earth Joint Venture. Payments made to the Joint Venture were \$609,940 (2008: \$444,698). On 21 December EastPack Ltd advanced \$500,000 to Pine Valley Joint Venture. The loan is non-interest bearing in consideration for the first right of refusal to lease the Pine Valley Joint Venture site from 31st July 2012 or earlier if the parties agree. The advance is secured over the investor and transactor shares held by G S Eynon and M J Montgomery.

M Hudson owns a kiwifruit contracting business that provides labour under normal commercial terms. Payments made during the year were \$16,241 for contracting. (2008: \$25,677).

RB Sharp acts as a director for Robert Monk Transport Limited, a company that supplies transportation services to EastPack on normal commercial terms. RB Sharp does not hold any financial interest in Robert Monk Transport Limited. Payments made during the year were \$582,209 (2008: \$659,876). R Sharp is also a Director of Zespri Limited. Zespri Limited is the major customer of EastPack Limited.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**33. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

The following directors acquired shares in the company during the year. All transactor shares were issued at \$1 per share.

|                 | <b>Transactor Shares</b> |             | <b>Investor Shares</b> |             |
|-----------------|--------------------------|-------------|------------------------|-------------|
|                 | <b>2009</b>              | <b>2008</b> | <b>2009</b>            | <b>2008</b> |
|                 | <b>\$</b>                | <b>\$</b>   | <b>\$</b>              | <b>\$</b>   |
| K M Clarke      | N/A                      | -           | N/A                    | -           |
| G S Eynon       | 3,120                    | 273         | -                      | -           |
| R M Hudson      | 5,095                    | 7,724       | -                      | -           |
| C G Overdevest  | N/A                      | 6,427       | N/A                    | -           |
| A K Woolsey     | -                        | -           | 3,182                  | -           |
| M J Montgomery  | 3,120                    | 273         | -                      | -           |
| R B Sharp       | 49,726                   | 37,914      | -                      | 12,000      |
| M S Ashby       | -                        | -           | -                      | -           |
| M G Kidd        | -                        | -           | -                      | -           |
| M McBride       | 4,826                    | N/A         | -                      | N/A         |
| G W Sommerville | 19,709                   | -           | -                      | -           |
| A Gault         | 15,844                   | N/A         | -                      | N/A         |

***Subsidiaries***

All amounts owing to/from subsidiaries and included in Intercompany Advances in the Statement of Financial Position.

|  | <b>2009</b> | <b>2008</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Total amounts owing to Eastpack Limited from subsidiaries: | 1,427,834   | 1,452,834   |

During the year EastPack Ltd entered into the following transactions with its subsidiaries on normal commercial terms:

- Sale of kiwifruit packing services to EastPack Kiwifruit Operations Ltd \$770,154 (2008: \$852,467)
- Sale of Kiwigreen Monitoring services to EastPack Kiwifruit Operations Ltd \$2,280 (2008: \$6,691)
- EastPack Kiwifruit Operations Ltd paid EastPack Ltd \$3,868 (2008: \$7,347) for the lease of the Quarry Road Orchards.

During the year EastPack Ltd contracted Southlink to complete its Logistics services (for which EastPack Ltd owns a 80% share). EastPack Ltd paid \$862,629 for these services in the year ended 31 December 2009 (2008: \$1,917,761). The transactions were on normal commercial terms.

EastPack Ltd received \$Nil load rate incentives from Southlink (2008: \$379,401).

***Associates***

EastPack Ltd relinquished its shares in Jet Stick Limited during the year ended 31 December 2009 in return for the remaining Jet Stick Limited shareholders taking up EastPack's liability to Jet Stick's bank guarantee (2008: the total of the guarantee is \$74,000, EastPack total exposure is \$110,000). EastPack Ltd also received revenue of \$1,783,502 (2008: \$2,791,705) from Southern Produce Limited, and paid expenses of \$99,868 (2008: \$147,824) to Southern Produce Ltd, an associate company in which they have a 50% shareholding. All transactions are on normal commercial terms.

All amounts owing from associate companies are detailed in Note 23: Accounts Receivable.



**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**33. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

***Other***

EastPack Kiwifruit Operations Ltd a subsidiary of EastPack Ltd holds a 10% ownership in Te Matai Kiwi Partnership. EastPack Kiwifruit Operations Ltd provides orchard management services and charges Te Matai Kiwi Partnership on normal commercial terms. As at 31 December 2009 the balance owing to the group was \$39,264 (2008: \$25,452).

EastPack Entity Trust operates a kiwifruit pool trust for the benefit of growers. EastPack Ltd is a trustee of the Trust, and supplies coolstorage, packing and transport services to the trust on behalf of the growers. EastPack Ltd received payments for services of \$58,635,853 (2008: \$55,875,733). EastPack Ltd paid the Trust \$2,560,922 (2008: \$3,421,676) for Class II fruit. In addition, EastPack Ltd provides an unlimited guarantee to the National Bank of New Zealand, on behalf of the Trust, for its overdraft facility. At balance date \$2,067,263 (2008: \$1,506,244) was owing to EastPack Entity Trust. This is disclosed as a Related Party Payable in Note 13. All transactions with EastPack Entity Trust are on normal commercial terms.

No related party debts have been written off or forgiven during the year (2008: \$Nil).

**34. CONTINGENT LIABILITIES**

|   | <b>GROUP</b> |             | <b>PARENT</b> |             |
|---|--------------|-------------|---------------|-------------|
|   | <b>2009</b>  | <b>2008</b> | <b>2009</b>   | <b>2008</b> |
|   | <b>\$</b>    | <b>\$</b>   | <b>\$</b>     | <b>\$</b>   |
| Guarantee of bank overdraft facilities for EastPack Entity Trust to a limit of: | Unlimited    | Unlimited   | Unlimited     | Unlimited   |
| At balance date the amount of the bank overdraft so guaranteed was:             | Nil          | Nil         | Nil           | Nil         |

Zespri pays growers a loyalty payment for supplying Zespri fruit for a contracted term. Zespri has advertised this rate at 15 cents (2008: 15 cents) per tray equivalent loaded. As a bonus to growers, EastPack pays the growers by tray equivalents submitted (packed). The difference between loaded and submitted is fruit loss. EastPack has accounted for this payment in the current financial statements. Zespri, in the last financial year, increased the loyalty payment after EastPack had printed their annual report. EastPack therefore incurred an additional cost in the year ended 31 December 2009 for a prior year transaction. If Zespri again decided to increase the loyalty payment EastPack would have a liability that is not recorded in these financial statements. EastPack do not know if Zespri intend increasing the loyalty payment for the 2009 year nor what the possible increase would be.

**35. COMMITMENTS**

|  | <b>GROUP AND PARENT</b> |               |
|--|-------------------------|---------------|
|  | <b>2009</b>             | <b>2008</b>   |
|  | <b>\$</b>               | <b>\$</b>     |
| Estimated capital expenditure contracted for at balance date but not provided for: | 3,130,915               | 7,411,383     |
| <b><u>Operating lease commitments</u></b>  |                         |               |
| Lease commitments under non-cancellable operating leases                           |                         |               |
| Less than one year   | 65,884                  | 12,000        |
| Between one and five years   | 18,856                  | -             |
| Greater than five years  | -                       | -             |
| Total operating lease commitments  | <u>84,740</u>           | <u>12,000</u> |

All operating lease commitments relate to coolstore facilities. The leases vary in term from one to three years. There are no rights of renewal on expiry.

**EASTPACK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**36. SEGMENT INFORMATION**

**Industry segments**

The information set out below is that as presented to the chief operating decision maker. The EastPack Group operates predominately in two industries - packhouse/coolstore, orchard management, and in one geographical area - New Zealand. The orchard management operation is not significant to the total trading of the Group.

|  | <b>Coolstore<br/>/Packhouse</b> |                      |
|--|---------------------------------|----------------------|
|  | <b>2009</b>                     | <b>2008</b>          |
|  | <b>\$000</b>                    | <b>\$000</b>         |
| Sales to customers outside Group                   | 59,326                          | 55,085               |
| Intersegment sales                                 | -                               | -                    |
| Unallocated revenue                                | <u>1,923</u>                    | <u>1,159</u>         |
| <b>Total revenue</b>                               | <b><u>61,249</u></b>            | <b><u>56,244</u></b> |
| Unallocated expenses and taxation                  | 57,716                          | 53,054               |
| Group operating surplus (before equity accounting) | 4,351                           | 2,505                |
| Share of associate income/(deficit)                | 377                             | 685                  |
| After charging:                                    |                                 |                      |
| Depreciation                                       | 4,948                           | 4,635                |
| Investments in associates                          | 1,444                           | 1,523                |
| Total segment assets                               | 75,724                          | 71,089               |
| Unallocated assets                                 | -                               | -                    |
| segment assets                                     | -                               | -                    |
| <b>Total assets</b>                                | <b><u>75,724</u></b>            | <b><u>71,089</u></b> |
| Non-current assets acquired                        | -                               | 7,693                |
| Total segment liabilities                          | 45,448                          | 44,472               |
| Unallocated liabilities                            | -                               | -                    |
| <b>Total liabilities</b>                           | <b><u>45,448</u></b>            | <b><u>44,472</u></b> |

Intersegmental sales are at market prices and are payable on normal commercial terms and conditions.

**37. SIGNIFICANT EVENTS AFTER BALANCE DATE**

The board of directors approved on 22 February 2010 the payment of a final dividend of 7 cents per investor share to be paid on 31 March 2010. (2008: approval of a final dividend of 7 cents per investor share to be paid on 31 March 2009).

**EASTPACK LIMITED****AS AT 31 DECEMBER 2009****TOP 20 SHAREHOLDERS**

| <b>Shareholder</b>           | <b>Investing<br/>Shares held</b> | <b>Transacting<br/>Shares held</b> |
|------------------------------|----------------------------------|------------------------------------|
| Lichfield Lands Inc.         | 1,619,486                        | 297,996                            |
| Brenick & Eynon Family Trust | 1,680,000                        | -                                  |
| Wotton Estate                | 948,942                          | 327,364                            |
| Cape Fruit Co. Ltd           | 874,954                          | 221,999                            |
| Tirohanga Fruit Co Ltd       | 709,852                          | 158,118                            |
| Franklin, C A                | 567,194                          | 183,448                            |
| Blennerhassett D & K         | 580,108                          | 170,408                            |
| Flowers, R J Ltd             | 632,186                          | 85,716                             |
| Prowse Orchards Ltd          | 537,386                          | 158,996                            |
| Overdevest, C J M            | 561,286                          | 108,817                            |
| South East Hort Ltd          | 608,944                          | 59,097                             |
| West, R J & K                | 422,080                          | 181,991                            |
| Farmgold Ltd                 | 524,792                          | -                                  |
| Wedge Co Ltd                 | 392,598                          | 125,728                            |
| Allen Orchards Ltd           | 324,212                          | 126,461                            |
| Reekie, Ken                  | 291,434                          | 142,891                            |
| Kopuatawhiti Trust           | 310,850                          | 122,496                            |
| Hi Top Farms Ltd             | 301,908                          | 110,269                            |
| Airflow Holdings Ltd         | 400,000                          | -                                  |
| Steele Family Trust, N R     | 273,034                          | 119,478                            |
| Fitzroy Orchard Partnership  | 307,106                          | 78,890                             |



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## AUDIT REPORT TO THE SHAREHOLDERS OF EASTPACK LIMITED

We have audited the financial statements on pages 14 to 49. The financial statements provide information about the past financial performance and financial position of the company and group as at 31 December 2009. This information is stated in accordance with the accounting policies set out on pages 18 to 29.

### Board of Directors Responsibilities

The Board of Directors is responsible for the preparation of the financial statements which give a true and fair view of the financial position of the company and group as at 31 December 2009 and of the results of their operations and cash flows for the year ended on that date.

### Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Directors.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has provided other services to the company and its subsidiaries in relation to taxation and general accounting services. The firm has no other relationship with, or interest in, the company or its subsidiaries.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company and group as far as appears from our examination of those records; and
- the financial statements on pages 14 to 49:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of EastPack Limited and its subsidiaries as at 31 December 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 22 March 2010 and our unqualified opinion is expressed as at that date.

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HAMILTON

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on-line accounting





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